

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM S-3

AMENDMENT NO. 1 TO

REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

THE WASHINGTON WATER POWER COMPANY  
(Exact name of registrant as specified in its charter)

WASHINGTON  
(State or other jurisdiction of  
incorporation or organization)

91-0462470  
(I.R.S.  
Employer  
Identification  
No.)

1411 East Mission Avenue  
Spokane, Washington 99202  
(509) 489-0500  
(Address, including zip code, and telephone number, including area code,  
of registrant's principal executive offices)

WASHINGTON WATER POWER CAPITAL I  
WASHINGTON WATER POWER CAPITAL II  
WASHINGTON WATER POWER CAPITAL III  
(Exact name of each registrant as specified in Trust Agreements)

Delaware  
(State or other jurisdiction of  
incorporation or organization  
of each registrant)

EACH TO BE  
APPLIED FOR  
(I.R.S.  
Employer  
Identification  
Nos.)

C/O THE WASHINGTON WATER POWER COMPANY  
1411 EAST MISSION AVENUE  
SPOKANE, WASHINGTON 99202  
(509) 489-0500  
(Address, including zip code, and telephone number, including area code,  
of each registrant's principal executive offices)

J.E. ELIASSEN, Senior Vice President  
& Chief Financial Officer  
The Washington Water Power Company  
1411 East Mission Avenue  
Spokane, Washington 99202  
(509) 489-0500

J. ANTHONY TERRELL  
KEVIN STACEY  
Reid & Priest LLP  
40 West 57th Street  
New York, New York 10019  
(212) 603-2000

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

It is respectfully requested that the Commission  
send copies of all notices, orders and communications to:  
John E. Baumgardner, Jr.  
Sullivan & Cromwell  
125 Broad Street  
New York, New York 10004

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED(1)	PROPOSED MAXIMUM OFFERING PRICE PER UNIT (1)(2)(3)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (1)(2)(3)	AMOUNT OF REGISTRATION FEE(2)
WASHINGTON WATER POWER CAPITAL I, II AND III SECURITIES . . . .				
THE WASHINGTON WATER POWER COMPANY GUARANTEES WITH RESPECT TO WASHINGTON WATER POWER CAPITAL I, II AND III SECURITIES AND THE WASHINGTON WATER POWER COMPANY OBLIGATIONS WITH RESPECT TO SUCH SECURITIES UNDER AN INDENTURE AND AN AMENDED AND RESTATED DECLARATION OF TRUST(4) . . . .				
THE WASHINGTON WATER POWER COMPANY SUBORDINATED DEBT SECURITIES				
TOTAL . . . . .	\$150,000,000	100%	\$150,000,000	\$45,455.00(5)

- (1) Includes such indeterminate number of Securities of Washington Water Power Capital I, Washington Water Power Capital II and Washington Water Power Capital III (each, a "Trust") and such indeterminate principal amount of Subordinated Debt Securities of The Washington Water Power Company as may from time to time be issued at indeterminate prices. Subordinated Debt Securities may be issued and sold to any Trust, in which event such Subordinated Debt Securities may later be distributed to the holders of Securities upon a dissolution of such Trust and the distribution of the assets thereof.
- (2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457. The aggregate public offering price of the Securities of the Trusts and the Subordinated Debt Securities of The Washington Water Power Company registered hereby will not exceed \$150,000,000.
- (3) Exclusive of accrued interest and dividends, if any.
- (4) Includes the rights of the holders of the Securities under the Guarantees and certain back-up undertakings, comprised of the obligations of The Washington Water Power Company to provide certain indemnities in respect of, and pay and be responsible for certain costs, expenses, debts and liabilities of, each Trust and such obligations as set forth in the Expense Agreement relating to each Trust and the Indenture, in each case as further described in the Registration Statement. The Guarantees, when taken together with The Washington Water Power Company's obligations under the Subordinated Debt Securities, the Indenture, the Amended and Restated Declaration of Trust of each Trust and the Expense Agreement relating to each Trust, will effectively provide a full and unconditional guarantee, on a

subordinated basis, by The Washington Water Power Company of payments due on the Securities. No separate consideration will be received for any Guarantees or such back-up obligations.

- (5) Registration fee paid with filing of Registration Statement on Form S-3 on November 19, 1996.

\_\_\_\_\_ SECURITIES

WASHINGTON WATER POWER CAPITAL I

\_\_\_\_\_% \_\_\_\_\_ SECURITIES, SERIES A  
 (LIQUIDATION AMOUNT \$\_\_\_ PER SECURITY)

FULLY AND UNCONDITIONALLY GUARANTEED BY  
 THE WASHINGTON WATER POWER COMPANY

The \_\_\_\_% \_\_\_\_\_ Securities, Series A (the "Securities") offered hereby represent undivided beneficial interests in the assets of Washington Water Power Capital I, a statutory business trust formed under the laws of the State of Delaware ("Washington Water Power Capital" or the "Trust"). The Washington Water Power Company, a Washington corporation (the "Company"), will own all the common securities (the "Common Securities" and, together with the Securities, the "Trust Securities") representing undivided beneficial interests in the assets of Washington Water Power Capital. Washington Water Power Capital exists for the sole purpose of issuing the Trust Securities and investing the proceeds thereof in an equivalent amount of \_\_\_\_% Junior Subordinated Deferrable Interest Debentures, Series A, due 20\_\_ (the "Subordinated Debt Securities") of the Company. The Subordinated Debt Securities and the Securities and the related Securities Guarantees in respect of which this Prospectus Supplement is being delivered shall be referred to herein as the "Offered Securities." The Subordinated Debt Securities when issued will be unsecured obligations of the Company and will be subordinate and junior in right of payment to certain other indebtedness of the Company, as described herein. Upon an event of default under the Declaration (as defined herein), the holders of Securities will have a preference over the holders of the Common Securities with respect to payments in respect of distributions and payments upon redemption, liquidation and otherwise.

(continued on next page)

SEE "RISK FACTORS" BEGINNING ON PAGE S-5 OF THIS PROSPECTUS SUPPLEMENT FOR CERTAIN INFORMATION RELEVANT TO AN INVESTMENT IN THE SECURITIES, INCLUDING THE PERIOD AND CIRCUMSTANCES DURING AND UNDER WHICH PAYMENTS OF DISTRIBUTIONS ON THE SECURITIES MAY BE DEFERRED AND THE RELATED UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF SUCH DEFERRAL.

Application will be made to list the Securities on the New York Stock Exchange (the "NYSE"). If approved, trading of the Securities on the NYSE is expected to commence within a 30-day period after the initial delivery of the Securities. See "Underwriting."

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS TO WHICH IT RELATES. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	INITIAL PUBLIC OFFERING PRICE(1)	UNDERWRITING COMMISSION(2)	PROCEEDS TO TRUST(3)(4)
Per Security . . . . .	\$	(3)	\$
Total . . . . .	\$	(3)	\$

- =====
- (1) Plus accrued distributions, if any, from \_\_\_\_\_, 199\_.
  - (2) Washington Water Power Capital and the Company have agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriting."
  - (3) In view of the fact that the proceeds of the sale of the Securities will be invested in the Subordinated Debt Securities, the Company has agreed to pay to the Underwriters as compensation (the "Underwriters' Compensation") for their arranging the investment therein of such proceeds \$.\_\_\_\_ per Security (or \$\_\_\_\_\_ in the aggregate); provided, however, that such compensation for sales of 10,000 or more Securities to a single purchaser will be \$.\_\_ per Security. Therefore, to the extent of such sales, the actual amount of Underwriters' Compensation will be less than the aggregate amount specified in the preceding sentence. See "Underwriting."
  - (4) Expenses of the offering which are payable by the Company are estimated to be \$\_\_\_\_\_.

The Securities offered hereby are offered severally by the Underwriters, as specified herein, subject to receipt and acceptance by them and subject to their right to reject any order in whole or in part. It is expected that delivery of the Securities will be made only in book-entry form through the facilities of The Depository Trust Company, on or about \_\_\_\_\_, 199\_.

\_\_\_\_\_  
MERRILL LYNCH & CO.

The date of this Prospectus Supplement is \_\_\_\_\_, 199\_.

Information contained in this prospectus supplement and the accompanying prospectus is subject to completion or amendment. A Registration Statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the Registration Statement becomes effective. This prospectus supplement and the accompanying prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

(continued from previous page)

Holders of the Securities are entitled to receive cumulative cash distributions at a rate of \_\_\_\_% per annum of the liquidation amount of \$\_\_\_ per Security, accruing from the date of original issuance and payable \_\_\_\_\_ in arrears on \_\_\_\_\_ of each year, commencing \_\_\_\_\_, 199\_ ("distributions"). The payment of distributions out of moneys held by Washington Water Power Capital and payments on liquidation of Washington Water Power Capital or the redemption of Securities, as set forth below, are guaranteed by the Company (the "Guarantee") to the extent described herein and under "Description of the Securities Guarantees" in the accompanying Prospectus. The Guarantee covers payments of distributions and other payments on the Securities only if and to the extent that Washington Water Power Capital has funds available therefor, which will not be the case unless the Company has made a payment of interest or principal or other payments on the Subordinated Debt Securities held by Washington Water Power Capital as its sole asset. The Guarantee, when taken together with the Company's obligations under the Subordinated Debt Securities, the Indenture (as defined herein), the Declaration and the Expense Agreement (as defined in the accompanying Prospectus), effectively provide a full and unconditional guarantee, on a subordinated basis, of amounts due on the Securities. See "Risk Factors -- Rights Under the Guarantee; Limitation as to Funds Available to the Trust" herein. The obligations of the Company under the Guarantee are subordinate and junior in right of payment to all other liabilities of the Company. The obligations of the Company under the Subordinated Debt Securities are subordinate and junior in right of payment to all present and future Senior Indebtedness (as defined in the accompanying Prospectus) of the Company, which aggregated approximately \$814 million at September 30, 1996, and rank pari passu with the obligations to or rights of the Company's other general unsecured creditors. The Subordinated Debt Securities purchased by the Trust may be subsequently distributed pro rata to holders of the Securities and Common Securities in connection with the dissolution of the Trust, upon the occurrence of certain events.

The distribution rate and the distribution payment date and other payment dates for the Securities will correspond to the interest rate and interest payment date and other payment dates on the Subordinated Debt Securities, which will be the sole assets of the Trust. As a result, if principal or interest is not paid on the Subordinated Debt Securities, no amounts will be paid on the Securities. If the Company does not make principal or interest payments on the Subordinated Debt Securities, the Trust will not have sufficient funds to make distributions on the Securities, in which event the Guarantee will not apply to such distributions until the Trust has sufficient funds available therefor.

So long as the Company shall not be in default in the payment of interest on the Subordinated Debt Securities, the Company has the right to defer payments of interest on the Subordinated Debt Securities by extending the interest payment period on the Subordinated Debt Securities at any time for up to \_\_ consecutive Scheduled Interest Periods (as defined in the accompanying Prospectus) (each, an "Extension Period"). If interest payments are so deferred, distributions will also be deferred. During such Extension Period, distributions will continue to accrue with interest thereon, to the extent permitted by applicable law, at a rate of \_\_\_\_\_% per annum compounded \_\_\_\_\_, and during any Extension Period, holders of Securities will be required to include income in the form of original issue discount ("OID") in their gross income for United States federal income tax purposes in advance of receipt of the cash distributions with respect to such deferred interest payments. There could be multiple Extension Periods of varying lengths throughout the term of the Subordinated Debt Securities. See "Risk Factors -- Option to Extend Interest Payment Period;" "Description of the Subordinated Debt Securities -- Option to Extend Interest Payment Period" and "Certain United States Federal Income Tax Considerations -- Original Issue Discount" herein.

The Subordinated Debt Securities are redeemable by the Company, in whole or in part, from time to time, on or after \_\_\_\_\_, 20\_\_, or, in whole but not in part, at any time in certain circumstances upon the occurrence of a Tax Event (as defined herein). If the Company redeems Subordinated Debt Securities, the Trust must redeem on a pro rata basis Trust Securities

having an aggregate liquidation amount equal to the aggregate principal amount of the Subordinated Debt Securities so redeemed at \$\_\_\_ per Security plus accrued and unpaid distributions thereon (the "Redemption Price") to the date fixed for redemption. See "Description of the Securities -- Redemption" herein. The Securities will be redeemed upon maturity of the Subordinated Debt Securities. In addition, upon the occurrence of a Tax

Event arising from a change in law or a change in legal interpretation regarding tax matters, unless the Subordinated Debt Securities are redeemed at the option of the Company, the Trust shall be dissolved, with the result that the Subordinated Debt Securities will be distributed to the holders of the Securities, on a pro rata basis, in lieu of any cash distribution. See "Description of the Securities -- Tax Event Redemption or Distribution" herein. If the Subordinated Debt Securities are distributed to the holders of the Securities, the Company will use all reasonable efforts to have the Subordinated Debt Securities listed on the NYSE or on such other exchange as the Securities are then listed. See "Description of the Securities -- Tax Event Redemption or Distribution" and "Description of the Subordinated Debt Securities" herein.

In the event of the involuntary or voluntary dissolution, winding-up or termination of the Trust, the holders of the Securities will be entitled to receive for each Security a liquidation amount of \$\_\_\_ plus accrued and unpaid distributions thereon (including interest thereon) to the date of payment, unless, in connection with such dissolution, the Subordinated Debt Securities are distributed to the holders of the Securities. See "Description of the Securities -- Liquidation Distribution Upon Dissolution" herein.

The Securities will be represented by one or more global certificates registered in the name of The Depository Trust Company ("DTC") or its nominee. Beneficial interests in the Securities will be shown on, and transfers thereof will be effected only through, records maintained by participants in DTC. Except as described herein, Securities in certificated form will not be issued in exchange for the global certificates. See "Description of the Securities -- Book-Entry Only Issuance - The Depository Trust Company" herein.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SECURITIES OFFERED HEREBY AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NEW YORK STOCK EXCHANGE, IN THE OVER-THE-COUNTER MARKET OR OTHERWISE. SUCH STABILIZING TRANSACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.



THE WASHINGTON WATER POWER COMPANY  
SELECTED HISTORICAL FINANCIAL INFORMATION

The following table, which is presented solely to furnish limited introductory information regarding the Company, sets forth selected historical financial information with respect to the Company and its consolidated subsidiaries for the periods indicated. This information is qualified in its entirety by reference to the detailed information and financial statements and notes thereto included in the documents which are incorporated herein by reference and should be read together therewith. See "Incorporation of Certain Documents by Reference" in the accompanying Prospectus. The selected historical financial information for each of the five years in the period ended December 31, 1995, has been derived from the audited consolidated financial statements of the Company.

FINANCIAL DATA	DOLLARS IN MILLIONS EXCEPT PER SHARE AMOUNTS	
	TWELVE MONTHS ENDED SEPTEMBER 30,	
	1996	1995
Total Revenues . . . . .	\$ 903.9	705.2
Income Before Income Taxes . . . . .	160.3	128.7
Net Income . . . . .	101.8	81.2
Earnings per Share of Common Stock . . . . .	1.67	1.32
Net Utility Plant . . . . .	1,380.0	1,342.2
Total Assets . . . . .	2,114.5	2,000.8
Long-Term Debt . . . . .	727.1	688.5
Total Common Equity . . . . .	719.9	699.0
Net Cash Provided By Operating Activities . . . . .	182.3	137.7
Capital Expenditures and Investments . . . . .	124.9	111.6
Ratio of Earnings to Fixed Charges* . . . . .	3.41	3.10

FINANCIAL DATA	DOLLAS IN MILLIONS EXCEPT PER SHARE AMOUNTS				
	YEARS ENDED DECEMBER 31,				
	1995	1994	1993	1992	1991
Total Revenues . . . . .	\$ 755.0	670.8	640.6	557.8	566.8
Income Before Income Taxes . . . . .	139.5	121.9	125.3	113.6	108.7
Net Income . . . . .	87.1	77.2	82.8	74.7	72.2
Earnings per Share of Common Stock . . . . .	1.41	1.28	1.44	1.37	1.34
Net Utility Plant . . . . .	1,357.4	1,329.0	1,254.0	1,191.2	1,144.6
Total Assets . . . . .	2,098.9	1,994.3	1,837.8	1,534.0	1,521.5
Long-Term Debt . . . . .	738.3	721.1	647.2	596.9	633.4
Total Common Equity . . . . .	717.1	677.5	634.4	587.0	532.1
Net Cash Provided By Operating Activities . . . . .	132.2	144.8	151.8	137.9	135.3
Capital Expenditures and Investments . . . . .	87.9	182.9	139.7	109.7	161.1
Ratio of Earnings to Fixed Charges* . . . . .	3.22	3.24	3.45	3.08	2.96

\*For the purpose of computing the ratio of earnings to fixed charges, earnings consist of income before income taxes, extraordinary items and cumulative effect of changes in accounting principle, plus fixed charges (excluding capitalized interest and the portion of the preferred dividend requirements of a subsidiary not previously deducted from pretax income,

but including amortization of amounts previously capitalized), less equity in undistributed earnings of companies owned less than 50 percent. Fixed charges consist of interest (including capitalized interest) on all indebtedness, amortization of debt discount and expense, that portion of rental expense which the Company believes to be representative of interest and the amounts accrued to cover the preferred stock dividend requirements of a subsidiary. A statement setting forth the computation of the unaudited ratios of earnings to fixed charges is filed as an exhibit to the Registration Statement of which this Prospectus Supplement is a part.

Business . . . . .	Primarily an electric and natural gas utility.
Service Area . . . . .	Electric and natural gas service in a 26,000 square mile area in eastern Washington and northern Idaho with a population of approximately 765,000. Natural gas service is also provided in a 4,000 square mile area in northeast and southwest Oregon and in the South Lake Tahoe region of California with a population of approximately 460,000.
Customers at Year-End** . . .	Electric 290,000, Gas 224,000
Income from Operations** . . .	Electricity 80%, Natural Gas 13%, Non-Utility 7%
Total Electric Energy Sources**	Hydro: Company-Owned 34%, Long-Term Purchases 10% Thermal: 21% Other Purchases and Exchanges: 35%

\*\*Twelve Months Ended December 31, 1995

## RISK FACTORS

Prospective purchasers of Securities should carefully review the information contained elsewhere in this Prospectus Supplement and in the accompanying Prospectus and should particularly consider the following matters.

### OBLIGATIONS UNDER THE GUARANTEE AND SUBORDINATED DEBT SECURITIES ARE UNSECURED AND SUBORDINATE TO SENIOR INDEBTEDNESS

The Company's obligations under the Guarantee are subordinate and junior in right of payment to all liabilities of the Company. The obligations of the Company under the Subordinated Debt Securities are subordinate and junior in right of payment to all present and future Senior Indebtedness of the Company and rank pari passu with obligations to or rights of the Company's other general unsecured creditors. As of September 30, 1996, Senior Indebtedness aggregated approximately \$814 million. There are no terms in the Securities, the Subordinated Debt Securities or the Guarantee that limit the Company's ability to incur additional indebtedness, including indebtedness that ranks senior to the Subordinated Debt Securities and the Guarantee. See "Description of the Securities Guarantees -- Status of the Securities Guarantees" and "Description of the Subordinated Debt Securities" in the accompanying Prospectus and "Description of the Subordinated Debt Securities -- Subordination" herein.

### RIGHTS UNDER THE GUARANTEE; LIMITATION AS TO FUNDS AVAILABLE TO THE TRUST

The Guarantee will be qualified as an indenture under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"). Wilmington Trust Company will act as indenture trustee under the Guarantee for the purposes of compliance with the provisions of the Trust Indenture Act (the "Guarantee Trustee"). The Guarantee Trustee will hold the Guarantee for the benefit of the holders of the Securities.

The Guarantee guarantees to the holders of the Securities the payment of (i) any accrued and unpaid distributions that are required to be paid on the Securities, to the extent the Trust has funds available therefor, (ii) the Redemption Price with respect to Securities called for redemption by the Trust, to the extent the Trust has funds available therefor, and (iii) upon a voluntary or involuntary dissolution, winding-up or termination of the Trust (other than in connection with the distribution of Subordinated Debt Securities to the holders of the Securities or a redemption of all the Securities), the lesser of (a) the aggregate of the liquidation amount and all accrued and unpaid distributions on the Securities to the date of the payment and (b) the amount of assets of the Trust remaining available for distribution to holders of the Securities in liquidation of the Trust. The holders of a majority in liquidation amount of the Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Guarantee Trustee or to direct the exercise of any trust or power conferred upon the Guarantee Trustee under the Guarantee. Notwithstanding the foregoing, any holder of Securities may institute a legal proceeding directly against the Company to enforce such holder's rights to receive payment under the Guarantee without first instituting a legal proceeding against the Trust, the Guarantee Trustee or any other person or entity. If the Company were to default on its obligation to pay amounts payable on the Subordinated Debt Securities or otherwise, the Trust would lack available funds for the payment of distributions or amounts payable on redemption of the Securities or otherwise, and, in such event, holders of the Securities would not be able to rely upon the Guarantee for payment of such amounts. In such event, the Institutional Trustee (as defined herein), as registered holder of the Subordinated Debt Securities, would be entitled to exercise its rights against the Company pursuant to the terms of the Subordinated Debt Securities, and a holder of Securities would be entitled to institute directly a proceeding for enforcement of payment to such holder of the principal of or interest on the Subordinated Debt Securities having a principal amount equal to the aggregate liquidation amount of the Securities of such holder (a "Direct Action") on or after the respective due date specified in the Subordinated Debt Securities. See "Description of the Securities Guarantees" and "Description of the Subordinated Debt Securities" in the accompanying Prospectus. The Declaration provides that

each holder of Securities, by acceptance thereof, agrees to the provisions of the Guarantee, including the subordination provisions thereof, and the Indenture.

## OPTION TO EXTEND INTEREST PAYMENT PERIOD

So long as no Indenture Event of Default (as defined herein) has occurred and is continuing, the Company has the right under the Indenture to defer payments of interest on the Subordinated Debt Securities by extending the interest payment period at any time, and from time to time, on the Subordinated Debt Securities. As a consequence of such an extension, \_\_\_\_\_ distributions on the Securities would be deferred (but would continue to accrue, despite such deferral, with interest thereon compounded \_\_\_\_\_) by the Trust during any such Extension Period. Such right to extend the interest payment period for the Subordinated Debt Securities is limited to a period not exceeding \_\_\_ consecutive Scheduled Interest Periods from the last Interest Payment Date (as defined herein) to which interest was paid in full, and such period may not extend beyond the maturity of the Subordinated Debt Securities. In the event that the Company exercises this right to defer interest payments, the Company shall not (a) declare or pay any dividend on, or make any distribution or liquidation payment with respect to, or redeem or purchase any of its capital stock, (b) make any payment of principal, premium, if any, or interest, if any, on or repay, repurchase or redeem any debt securities (including other Subordinated Debt Securities) issued by the Company that rank pari passu with or junior in right of payment to the Subordinated Debt Securities or (c) make any guarantee payments with respect to the foregoing, other than pursuant to the Securities Guarantees (as defined in the accompanying Prospectus)); provided, however, that nothing herein shall be deemed to prohibit (i) dividends or distributions payable in shares of the Company's capital stock, (ii) reclassification of the Company's capital stock or exchange or conversion of shares of one class or series of the Company's capital stock into shares of another class or series of the Company's capital stock, (iii) purchases or other acquisitions of fractional interests in shares of the Company's capital stock and (iv) purchases or other acquisitions of shares of the Company's capital stock in connection with the satisfaction by the Company of its obligations under any direct purchase, dividend reinvestment, customer purchase or employee benefit plans or under any contract or security requiring the Company to purchase shares of its capital stock. Prior to the termination of any such Extension Period, the Company may further extend the interest payment period; provided, however, that such Extension Period, together with all such previous and further extensions thereof, may not exceed \_\_\_ consecutive Scheduled Interest Periods or extend beyond the maturity of the Subordinated Debt Securities. Upon the termination of any Extension Period and the payment of all amounts then due, the Company may commence a new Extension Period, subject to the above requirements. See "Description of the Securities -- Distributions" and "Description of the Subordinated Debt Securities -- Option to Extend Interest Payment Period" herein.

Should the Company exercise its right to defer payments of interest by extending the interest payment period, each holder of Securities would be required to accrue income as OID in respect of such deferred interest. As a result, each such holder of Securities would recognize income for United States federal income tax purposes in advance of the receipt of cash and would not receive the cash from Washington Water Power Capital if such holder disposes of its Securities prior to the record date for the date on which distributions of such amounts are made. The Company has no current intention of exercising its right to defer payments of interest by extending the interest payment period on the Subordinated Debt Securities. However, should the Company determine to exercise such right in the future, the market price of the Securities is likely to be affected. A holder that disposes of its Securities during an Extension Period, therefore, might not receive the same return on its investment as a holder that continues to hold its Securities. In addition, as a result of the existence of the Company's right to defer interest payments, the market price of the Securities (which represent an undivided beneficial interest in the Subordinated Debt Securities) may be more volatile than other securities the holders of which do not have such rights. See "Certain United States Federal Income Tax Considerations -- Original Issue Discount" herein.

## ADVERSE EFFECT OF POSSIBLE TAX LAW CHANGES

On March 19, 1996, the Revenue Reconciliation Bill of 1996 (the "Bill"), the revenue portion of President Clinton's budget proposal, was released. The Bill would, among other things, generally treat as equity an instrument, issued by a corporation, that has a maximum term of more than

20 years and that is not shown as indebtedness on the separate balance sheet of the issuer or, where the instrument is issued to a related party (other than a corporation), where the holder or some other related party issues a related instrument that is not shown as indebtedness on the issuer's consolidated balance sheet. The above-described provision was proposed to be effective generally for instruments issued on or after December 7, 1995. If such provision were to apply to the Subordinated Debt Securities, the Company would be unable to deduct interest on the Subordinated Debt Securities. However, on March 29, 1996, the Chairmen of the Senate Finance and House Ways and Means Committees issued a joint statement to the effect that it was their intention that the effective date of the President's legislative proposals, if adopted, would be no earlier

than the date of appropriate Congressional action. There can be no assurance, however, that current or future legislative proposals or final legislation will not affect the ability of the Company to deduct interest on the Subordinated Debt Securities. If legislation were enacted limiting, in whole or in part, the deductibility by the Company of interest on the Subordinated Debt Securities for United States federal income tax purposes, such enactment could give rise to a Tax Event. A Tax Event would permit the Company either to distribute the Subordinated Debt Securities to holders of the Securities or to cause a redemption of the Securities, as described more fully under "Description of the Securities -- Tax Event Redemption or Distribution" herein.

#### TAX EVENT REDEMPTION OR DISTRIBUTION

Upon the occurrence of a Tax Event, the Company shall have the right either (i) to dissolve the Trust, with the result that the Subordinated Debt Securities would be distributed to the holders of the Trust Securities in connection with the liquidation of the Trust; or (ii) to redeem the Subordinated Debt Securities, in whole but not in part, in lieu of a distribution of the Subordinated Debt Securities by the Trust, in which event the Trust will redeem the Trust Securities in whole. See "Description of the Securities -- Tax Event Redemption or Distribution" herein.

Under current United States federal income tax law, if the Trust is treated as a "grantor trust" at the time of distribution, a distribution of Subordinated Debt Securities upon the dissolution of Washington Water Power Capital would not be a taxable event to holders of the Securities. Upon occurrence of a Tax Event, however, a distribution of cash to holders of the Securities upon dissolution of Washington Water Power Capital would be a taxable event to such holders. See "Certain United States Federal Income Tax Considerations -- Receipt of Subordinated Debt Securities or Cash Upon Liquidation of the Trust" herein.

There can be no assurance as to the market prices for the Securities or the Subordinated Debt Securities that may be distributed in exchange for Securities if a dissolution or liquidation of the Trust were to occur. Accordingly, the Securities that an investor may purchase, whether pursuant to the offer made hereby or in the secondary market, or the Subordinated Debt Securities that a holder of Securities may receive on dissolution and liquidation of the Trust, may trade at a discount to the price that the investor paid to purchase the Securities offered hereby. Because holders of Securities may receive Subordinated Debt Securities upon the occurrence of a Tax Event, prospective purchasers of Securities are also making an investment decision with regard to the Subordinated Debt Securities and should carefully review all the information regarding the Subordinated Debt Securities contained herein and in the accompanying Prospectus. See "Description of the Securities -- Tax Event Redemption or Distribution" and "Description of the Subordinated Debt Securities -- General" herein.

#### LIMITED VOTING RIGHTS

Holders of Securities will have limited voting rights and will not be entitled to vote to appoint, remove or replace, or to increase or decrease the number of, the Washington Water Power Trustees (as defined herein), which voting rights are vested exclusively in the holder of the Common Securities. See "Description of Securities -- Voting Rights" herein.

#### TRADING PRICE OF SECURITIES MAY NOT REFLECT VALUE OF ACCRUED BUT UNPAID INTEREST

The Securities may trade at a price that does not fully reflect the value of accrued but unpaid interest with respect to the underlying Subordinated Debt Securities. Should an Extension Period occur, a holder who disposes of his Securities between record dates for payments of distributions thereon

would be required to include accrued but unpaid interest on the Subordinated Debt Securities through the date of disposition in income as ordinary income (i.e., OID), and to add such amount to his adjusted tax basis in his pro rata share of the underlying Subordinated Debt Securities deemed disposed of. To the extent the selling price is less than the holder's adjusted tax basis (which will include all accrued but unpaid interest included in the holder's income as OID), a holder would recognize a capital loss. Subject to certain limited exceptions, capital losses cannot be applied to offset ordinary income for United States federal income tax purposes. See "Certain United States Federal Income Taxation Considerations -- Original Issue Discount" and "-- Sale, Exchange and Redemption of the Securities" herein.



## THE WASHINGTON WATER POWER COMPANY

The Company, which was incorporated in the State of Washington in 1889, primarily operates in the electric and natural gas utility business. As of January 1, 1996, the Company provides electricity and natural gas in a 26,000 square mile area in eastern Washington and northern Idaho with a population of approximately 765,000. The Company also provides natural gas service in northeast and southwest Oregon and the South Lake Tahoe region of California with a population of approximately 460,000. The Company has its principal offices at 1411 East Mission Avenue, Spokane, Washington 99202. Its telephone number is 509-489-0500.

The Company's retail and wholesale businesses include the generation, purchase, transmission, distribution and sale of electric energy plus the purchase, transportation, distribution and sale of natural gas. In addition to its utility businesses, the Company owns Pentzer Corporation, parent company to the majority of the Company's non-utility businesses.

At December 31, 1995, the Company's employees included 1,390 people in its utility operations and 1,240 people in its majority-owned non-utility businesses. The Company's corporate headquarters are in Spokane, Washington, which serves as the Inland Northwest's center for manufacturing, transportation, health care, education, communication, agricultural and service businesses.

## WASHINGTON WATER POWER CAPITAL

Washington Water Power Capital is a statutory business trust formed under Delaware law pursuant to (i) a declaration of trust, dated as of November 4, 1996, executed by the Company, as sponsor, and the trustees of Washington Water Power Capital (the "Washington Water Power Trustees") and (ii) the filing of a certificate of trust with the Secretary of State of the State of Delaware on November 4, 1996. Such declaration will be amended and restated in its entirety (as so amended and restated, the "Declaration") substantially in the form filed as an exhibit to the Registration Statement of which this Prospectus Supplement and the accompanying Prospectus form a part. The Declaration will be qualified as an indenture under the Trust Indenture Act. Upon issuance of the Securities, the purchasers thereof will own all of the Securities. See "Description of the Securities -- Book-Entry Only Issuance - The Depository Trust Company" herein. The Company will directly or indirectly acquire Common Securities in an aggregate liquidation amount equal to 3 percent of the total capital of Washington Water Power Capital. Washington Water Power Capital exists for the exclusive purposes of (i) issuing the Trust Securities representing undivided beneficial interests in the assets of the Trust, (ii) investing the gross proceeds of the sale of the Trust Securities in the Subordinated Debt Securities and (iii) engaging in only those other activities necessary or incidental thereto. Accordingly, the Subordinated Debt Securities will be the sole assets of the Trust, and payments under the Subordinated Debt Securities will be the sole revenue of the Trust. All of the Common Securities will be owned by the Company.

Pursuant to the Declaration, the number of Washington Water Power Trustees will initially be three. Two of the Washington Water Power Trustees (the "Regular Trustees") will be persons who are employees or officers of, or who are affiliated with, the Company. The third trustee will be a financial institution that maintains its principal place of business in the State of Delaware and is unaffiliated with the Company, which trustee will serve as institutional trustee under the Declaration (the "Institutional Trustee") and as indenture trustee for the purposes of compliance with the provisions of the Trust Indenture Act. Initially, Wilmington Trust Company, a Delaware banking corporation, will be the Institutional Trustee until removed or replaced by the holder of the Common Securities. For purposes of compliance with the provisions of the Trust Indenture Act, Wilmington Trust Company will act as Guarantee Trustee under the Guarantee and as Debt Trustee (as defined herein) under the Indenture. See "Description of the Securities Guarantees" in the accompanying Prospectus and "Description of the Securities -- Voting Rights" herein.

The Institutional Trustee will hold title to the Subordinated Debt Securities for the benefit of the holders of the Trust Securities, and the Institutional Trustee will have the power to exercise all rights, powers and privileges under the Indenture as the holder of the Subordinated Debt

Securities. In addition, the Institutional Trustee will maintain exclusive control of a segregated non-interest bearing bank account (the "Property Account") to hold all payments made in respect of the Subordinated Debt Securities for the benefit of the holders of the Trust Securities. The Institutional Trustee will make payments of distributions and payments on liquidation, redemption and otherwise to the holders of the Trust Securities out of funds from the Property Account. The Guarantee Trustee

will hold the Guarantee for the benefit of the holders of the Securities. The Company, as the direct or indirect holder of all the Common Securities, will have the right to appoint, remove or replace any Washington Water Power Trustee and to increase or decrease the number of the Washington Water Power Trustees. The Company will pay all fees and expenses related to Washington Water Power Capital and the offering of the Trust Securities. See "Description of the Securities Guarantees -- Expense Agreements" in the accompanying Prospectus.

The rights of the holders of the Securities, including economic rights, rights to information and voting rights, are set forth in the Declaration, the Delaware Business Trust Act (the "Trust Act") and the Trust Indenture Act. See "Description of the Securities" herein.

#### ACCOUNTING TREATMENT

The financial statements of Washington Water Power Capital will be consolidated into the Company's consolidated financial statements, with the Securities shown in the Company's consolidated balance sheet as Company-Obligated Mandatorily Redeemable Preferred Securities of Washington Water Power Capital I. The footnotes to the Company's consolidated financial statements will reflect that the sole asset of the Trust will be \$\_\_\_\_\_ principal amount of Subordinated Debt Securities of the Company. See "Capitalization" herein.

#### CAPITALIZATION

The following table sets forth the actual capitalization of the Company and its consolidated subsidiaries at June 30, 1996, and the "As Adjusted" column reflects the application of the estimated net proceeds from the sale of the Securities. See "Use of Proceeds" herein. The table should be read in conjunction with the Company's consolidated financial statements and notes thereto included in the documents incorporated by reference herein. See "Incorporation of Certain Documents by Reference" in the accompanying Prospectus.

	At September 30, 1996	
	Actual	As Adjusted
	-----	
	(dollars in millions)	
Common Stock -- 200,000,000 shares authorized; shares outstanding: 55,960,360 . . . . .	\$ 594.9	\$
Note Receivable from Employee Stock Ownership Plan . . . . .	(11.2)	
Capital Stock Expense and Other Paid-In Capital . . . . .	(10.1)	
Unrealized Investment Gain -- Net . .	10.1	
Retained Earnings . . . . .	136.2	
	-----	-----
Total Common Equity . . . . .	719.9	
	-----	-----
Preferred Stock . . . . .	115.0	
	-----	-----
Company-Obligated Mandatorily Redeemable Preferred Securities of Washington Water Power Capital I .	--	
Long-Term Debt . . . . .	727.1	
	-----	-----
Total . . . . .	\$1,562.0	\$
	=====	=====

- (1) As described herein, the sole assets of the Trust will be the \_\_\_\_\_% Junior Subordinated Deferrable Interest Debentures, Series A, due 20\_\_ of the Company with a principal amount of approximately \$\_\_\_\_\_, and upon redemption of such debt, the Securities will be mandatorily redeemable.

#### USE OF PROCEEDS

The Trust will use all proceeds received from the sale of the Securities to purchase Subordinated Debt Securities from the Company. The Company intends to use the net proceeds from the issuance and sale of the Subordinated Debt Securities for any or all of the following purposes: (i) to fund a portion of the Company's construction, facility improvement and maintenance programs, (ii) to retire or exchange one or more outstanding series of its preferred stock, bonds or notes, (iii) to reimburse the Company's treasury for funds previously expended for these purposes and (iv) for other general corporate purposes.

## DESCRIPTION OF THE SECURITIES

The Securities will be issued pursuant to the terms of the Declaration. The Declaration will be qualified as an indenture under the Trust Indenture Act. The Institutional Trustee, Wilmington Trust Company, will act as indenture trustee for the Securities under the Declaration for purposes of compliance with the provisions of the Trust Indenture Act. The terms of the Securities will include those stated in the Declaration and those made part of the Declaration by the Trust Indenture Act. The following summary of the material terms and provisions of the Securities does not purport to be complete and is subject to, and qualified in its entirety by reference to, the description in the accompanying Prospectus, the Declaration (a copy of which is filed as an exhibit to the Registration Statement of which this Prospectus Supplement is a part), the Trust Act and the Trust Indenture Act.

### GENERAL

The Declaration authorizes the Regular Trustees to issue on behalf of the Trust the Trust Securities, which represent undivided beneficial interests in the assets of the Trust. All of the Common Securities will be owned, directly or indirectly, by the Company. The Common Securities rank *pari passu*, and payments will be made thereon on a *pro rata* basis, with the Securities, except that upon the occurrence and during the continuance of a Declaration Event of Default (as defined herein), the rights of the holders of the Common Securities to receive payment of periodic distributions and payments upon liquidation, redemption and otherwise will be subordinated to the rights of the holders of the Securities. The Declaration does not permit the issuance by the Trust of any securities other than the Trust Securities or the incurrence of any indebtedness by the Trust.

Pursuant to the Declaration, the Institutional Trustee will own the Subordinated Debt Securities purchased by the Trust for the benefit of the holders of the Trust Securities. The payment of distributions out of money held by the Trust and payments upon redemption of the Securities or liquidation of the Trust, are guaranteed by the Company to the extent described under "Description of the Securities Guarantees" in the accompanying Prospectus. The Guarantee will be held by Wilmington Trust Company, the Guarantee Trustee, for the benefit of the holders of the Securities. The Guarantee does not cover payment of distributions when the Trust does not have sufficient available funds to pay such distributions. In such event, the remedy of a holder of Securities is to vote to direct the Institutional Trustee to enforce the Institutional Trustee's rights under the Subordinated Debt Securities except in the limited circumstances in which the holder may take Direct Action. See "-- Voting Rights" and "-- Declaration Events of Default" herein.

### DISTRIBUTIONS

Distributions on the Securities will be fixed at a rate of \_\_\_\_% per annum of the stated liquidation amount of \$\_\_\_ per Security. Distributions in arrears for more than one Scheduled Interest Period will bear interest thereon at the rate of \_\_\_\_% per annum thereof compounded \_\_\_\_\_. The term "distribution" as used herein includes any such interest payable unless otherwise stated. The amount of distributions payable for any period will be computed on the basis of a 360-day year of twelve 30-day months.

Distributions on the Securities will be cumulative, will accrue from \_\_\_\_\_, 199\_ and will be payable \_\_\_\_\_ in arrears on \_\_\_\_\_ of each year, commencing \_\_\_\_\_, 199\_, when, as and if available for payment, by the Institutional Trustee, except as otherwise described below.

So long as no Indenture Event of Default has occurred and is continuing, the Company has the right under the Indenture to defer payments of interest on the Subordinated Debt Securities by extending the interest payment

period at any time, and from time to time on the Subordinated Debt Securities. As a consequence of such an extension, \_\_\_\_\_ distributions on the Securities would be deferred (but would continue to accrue, despite such deferral, with interest thereon compounded \_\_\_\_\_) by the Trust during any such Extension Period. Such right to extend the interest payment period for the Subordinated Debt Securities is limited to a period not exceeding \_\_\_ consecutive Scheduled Interest Periods and such period may not extend beyond the maturity of the Subordinated Debt Securities. In the event that the Company exercises this right to defer interest payments, the Company shall not (a) declare or pay any dividend on, or make any distribution or liquidation payment with respect to, or redeem or purchase any of its capital stock, (b) make any payment of principal, premium, if any, or interest, if any, on or repay, repurchase or redeem any debt securities (including other Subordinated Debt Securities) issued by the Company that rank pari passu with or junior in right of payment to the Subordinated Debt Securities or (c) make any guarantee payments with

respect to the foregoing, other than pursuant to the Securities Guarantees); provided, however, that nothing herein shall be deemed to prohibit (i) dividends or distributions payable in shares of the Company's capital stock, (ii) reclassification of the Company's capital stock or exchange or conversion of shares of one class or series of the Company's capital stock into shares of another class or series of the Company's capital stock, (iii) purchases or other acquisitions of fractional interests in shares of the Company's capital stock and (iv) purchases or other acquisitions of shares of the Company's capital stock in connection with the satisfaction by the Company of its obligations under any direct purchase, dividend reinvestment, customer purchase or employee benefit plans or under any contract or security requiring the Company to purchase shares of its capital stock. Prior to the termination of any such Extension Period, the Company may further extend the interest payment period; provided, however, that such Extension Period, together with all such previous and further extensions thereof, may not exceed \_\_ consecutive Scheduled Interest Periods or extend beyond the maturity of the Subordinated Debt Securities. Upon the termination of any Extension Period and the payment of all amounts then due, the Company may commence a new Extension Period, subject to the above requirements. See "Description of the Subordinated Debt Securities -- Option to Extend Interest Payment Period" herein. If distributions are deferred, the deferred distributions and accrued interest thereon shall be paid to holders of record of the Securities as they appear on the books and records of the Trust on the record date next following the termination of such deferral period.

Distributions on the Securities must be paid on the dates payable to the extent that the Trust has in the Property Account funds available for the payment of such distributions. The Trust's funds available for distribution to the holders of the Securities will be limited to payments received from the Company on the Subordinated Debt Securities. The payment of distributions out of moneys held by the Trust is guaranteed by the Company to the extent set forth under "Description of the Securities Guarantees" in the accompanying Prospectus.

Distributions on the Securities will be payable to the holders thereof as they appear on the books and records of the Trust on the relevant record dates. Such distributions will be paid through the Institutional Trustee who will hold amounts received in respect of the Subordinated Debt Securities in the Property Account for the benefit of the holders of the Trust Securities. The Regular Trustees shall have the right to select relevant record dates, which shall be at least one Business Day (as defined below) but less than 50 Business Days before the relevant payment dates. In the event that any date on which distributions are to be made on the Securities is not a Business Day, then payment of the distributions payable on such date will be made on the next succeeding Business Day, except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such payment date. A "Business Day" shall mean any day other than Saturday, Sunday or any other day on which banking institutions in the City of Wilmington, Delaware and The City of New York are authorized or required by any applicable law to remain closed.

#### REDEMPTION

The Subordinated Debt Securities will mature on \_\_\_\_\_, 20\_\_ and may be redeemed, in whole or in part, at any time on or after \_\_\_\_\_, 20\_\_, or, in whole but not in part, at any time in certain circumstances upon the occurrence of a Tax Event. Upon the repayment of the Subordinated Debt Securities, whether at maturity or upon redemption, the proceeds from such repayment shall simultaneously be applied to redeem Trust Securities having an aggregate liquidation amount equal to the aggregate principal amount of the Subordinated Debt Securities so repaid or redeemed at the Redemption Price; provided, however, that holders of Trust Securities shall be given not less than 30 nor more than 60 days' notice of such redemption. Redemptions of the Securities shall be made and the Redemption Price shall be payable on the redemption date only to the extent that the Trust has funds on hand available for the payment of such Redemption Price. See "Description of the Subordinated Debt Securities -- Redemption" in the accompanying Prospectus. In the event that fewer than all of the outstanding Securities are to be redeemed, the Securities will be redeemed

pro rata as described under "-- Redemption Procedures" below.

#### TAX EVENT REDEMPTION OR DISTRIBUTION

"Tax Event" means the receipt by the Company of an opinion of counsel to the effect that, as a result of (a) any amendment to, clarification of or change (including any announced prospective change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein, (b) any judicial decision, official administrative pronouncement, ruling, regulatory procedure, notice or announcement, including any notice or announcement of intent to adopt such procedures or regulations (an "Administrative Action") or any amendment to,



clarification of, or change in the official position or the interpretation of such Administrative Action or judicial decision that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental agency or regulatory authority, irrespective of the manner in which such amendment, clarification or change is made known, which amendment, clarification or change is effective or such pronouncement or decision is announced, in each case, on or after the date of the original issuance of the Subordinated Debt Securities (including the enactment of any legislation and the publication of any judicial decision or regulatory determination on or after such date), there is more than an insubstantial risk that (i) the Trust is, or will be within 90 days of the date of such amendment, clarification or change, subject to United States federal income tax with respect to income accrued or received on the Subordinated Debt Securities, (ii) the Trust is, or will be within 90 days of the date of such amendment, clarification or change, subject to more than a de minimis amount of taxes, duties or other governmental charges or (iii) interest payable on the Subordinated Debt Securities is not, or within 90 days of the date of such amendment, clarification or change will not be, deductible, in whole or in part, by the Company for United States federal income tax purposes.

If, at any time, a Tax Event shall occur and be continuing, the Company may, at its option, within 90 days following the occurrence of such Tax Event, (i) dissolve the Trust with the result that the Subordinated Debt Securities with an aggregate principal amount equal to the aggregate stated liquidation amount of, with an interest rate identical to the distribution rate of, and accrued and unpaid interest equal to accrued and unpaid distributions on, and having the same record date for payment as the Trust Securities, would be distributed to the holders of the Trust Securities in liquidation of such holders' interests in the Trust on a pro rata basis, or (ii) upon not less than 30 nor more than 60 days' notice, redeem the Subordinated Debt Securities, in whole but not in part, for cash, and, following such redemption, redeem the Trust Securities at the Redemption Price; provided, however, that if at the time there is available to the Company or the Trust the opportunity to eliminate, within such 90-day period, the Tax Event, by taking some ministerial action such as filing a form or making an election or pursuing some other similar reasonable measure that has no adverse effect on the Trust, the Company or the holders of the Trust Securities, the Company or the Trust will pursue such measure in lieu of such dissolution and distribution or redemption.

If the Subordinated Debt Securities are distributed to the holders of the Securities upon termination of the Trust in accordance with the Declaration, the Company will use all reasonable efforts to cause the Subordinated Debt Securities to be listed on the NYSE or on such other securities exchange as the Securities are then listed.

After the date for any distribution of Subordinated Debt Securities upon dissolution of the Trust, (i) the Securities will be deemed to no longer be outstanding and (ii) any certificates representing Securities will be deemed to represent Subordinated Debt Securities having an aggregate principal amount equal to the aggregate stated liquidation amount of, with an interest rate identical to the distribution rate of, and accrued and unpaid interest equal to accrued and unpaid distributions on, and having the same record date for payment as such Securities until such certificates are presented to the Company or its agent for transfer or reissuance.

#### REDEMPTION PROCEDURES

The Trust may not redeem fewer than all of the outstanding Securities unless all accrued and unpaid distributions have been paid on all Securities for all \_\_\_\_\_ distribution periods terminating on or prior to the date of redemption.

If the Trust gives a notice of redemption in respect of Securities, then, provided that the Company has paid to the Institutional Trustee a sufficient amount of cash in connection with the related redemption or maturity of the Subordinated Debt Securities, upon presentation of the Securities, the Institutional Trustee will pay the relevant Redemption Price to the holder or holders of such Securities. See "-- Book-Entry Only Issuance - The Depository Trust Company" for a more complete discussion of

payment mechanics applicable so long as the Securities are held in book-entry form. If notice of redemption shall have been given and funds deposited as required, then, immediately prior to the close of business on the date of such deposit, distributions will cease to accrue and all rights of holders of such Securities so called for redemption will cease, except the right of the holders of such Securities to receive the Redemption Price but without interest on such Redemption Price. In the event that any date fixed for redemption of Securities is not a Business Day, then payment of the Redemption Price payable on such date will be made on the next succeeding day that is a Business Day, except that, if such Business Day falls in the next calendar year, such payment will be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such redemption date. In the event that payment of the

Redemption Price in respect of Securities is improperly withheld or refused and not paid either by the Trust, or by the Company pursuant to the Guarantee, distributions on such Securities will continue to accrue at the then applicable rate from the original redemption date to the date of payment, in which case the actual payment date will be considered the date fixed for redemption for purposes of calculating the Redemption Price.

In the event that fewer than all of the outstanding Securities are to be redeemed, the Securities will be redeemed pro rata. The particular Securities to be redeemed shall be selected on a pro rata basis not more than 60 days prior to the redemption date by the Institutional Trustee from the outstanding Securities not previously called for redemption, by such method as the Institutional Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions (equal to \$\_\_\_ or an integral multiple of \$\_\_\_ in excess thereof) of the liquidation amount of Securities of a denomination larger than \$\_\_\_. The Institutional Trustee shall notify the transfer agent and registrar in writing of the Securities selected for redemption, and in the case of any Securities selected for partial redemption, the liquidation amount thereof to be redeemed. For all purposes of the Declaration, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Securities redeemed or to be redeemed only in part, or to the portion of the aggregate liquidation amount of Securities which has been or is to be redeemed.

Subject to the foregoing and applicable law (including, without limitation, United States federal securities laws), the Company or its subsidiaries may at any time, and from time to time, purchase outstanding Securities by tender, in the open market or by private agreement.

#### LIQUIDATION DISTRIBUTION UPON DISSOLUTION

In the event of any voluntary or involuntary liquidation, dissolution, winding-up or termination of the Trust (each a "Liquidation"), the then holders of the Securities will be entitled to receive out of the assets of the Trust, after satisfaction of liabilities to creditors, distributions in an amount equal to the aggregate of the stated liquidation amount of \$\_\_\_ per Security plus accrued and unpaid distributions thereon to the date of payment (the "Liquidation Distribution"), unless, in connection with such Liquidation, Subordinated Debt Securities in an aggregate stated principal amount equal to the aggregate stated liquidation amount of, with an interest rate identical to the distribution rate of, and accrued and unpaid interest equal to accrued and unpaid distributions on, and having the same record date for payment as the Securities, have been distributed on a pro rata basis to the holders of the Securities in exchange for such Securities.

If, upon any such Liquidation, the Liquidation Distribution can be paid only in part because the Trust has insufficient assets available to pay in full the aggregate Liquidation Distribution, then the amounts payable directly by the Trust on the Securities shall be paid on a pro rata basis.

Pursuant to the Declaration, the Trust shall terminate (i) on \_\_\_\_\_, 20\_\_, the expiration of the term of the Trust, (ii) upon the bankruptcy of the Company, (iii) upon the filing of a certificate of dissolution or its equivalent with respect to the Company, the filing of a certificate of cancellation with respect to the Trust after obtaining the consent of the holders of at least a majority in liquidation amount of the Trust Securities affected thereby voting together as a single class to file such certificate of cancellation, or the revocation of the charter of the Company and the expiration of 90 days after the date of revocation without a reinstatement thereof, (iv) upon the distribution of Subordinated Debt Securities in connection with the occurrence of a Tax Event, (v) upon the entry of a decree of a judicial dissolution of the Company or the Trust, or (vi) upon the redemption of all the Trust Securities.

#### DECLARATION EVENTS OF DEFAULT

An event of default under the Indenture (an "Indenture Event of Default") constitutes an event of default under the Declaration with respect to the Trust Securities (a "Declaration Event of Default"); provided, however, that pursuant to the Declaration, the holder of the Common Securities will be deemed to have waived any Declaration Event of Default with respect to the Common Securities until all Declaration Events of Default with respect to the Securities have been cured, waived or otherwise eliminated. Until such Declaration Events of Default with respect to the Securities have been so cured, waived or otherwise eliminated, the Institutional Trustee will be deemed to be acting solely on behalf of the holders of the Securities and only the holders of the Securities will have the right to direct the Institutional Trustee with respect to certain matters under the Declaration, and therefore the Indenture.

If a Declaration Event of Default occurs and is continuing, the Institutional Trustee will have the right to enforce its rights against the Company as a holder of the Subordinated Debt Securities. In addition, the holders of a majority in liquidation amount of the Securities will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Institutional Trustee or to direct the exercise of any trust or power conferred upon the Institutional Trustee under the Declaration, including the right to direct the Institutional Trustee to exercise the remedies available to it as a holder of the Subordinated Debt Securities. If the Institutional Trustee fails to enforce its rights under the Subordinated Debt Securities after a holder of Securities has made a written request, such holder of record of Securities may institute a legal proceeding against the Company to enforce the Institutional Trustee's rights under the Subordinated Debt Securities without first instituting any legal proceeding against the Institutional Trustee or any other person or entity. Notwithstanding the foregoing, if a Declaration Event of Default has occurred and is continuing and such event is attributable to the failure of the Company to pay interest or principal on the Subordinated Debt Securities on the date such interest or principal is otherwise payable (or in the case of redemption, the redemption date), then a holder of Securities may directly institute a proceeding for enforcement of payment to such holder directly of the principal of or interest on the Subordinated Debt Securities having a principal amount equal to the aggregate liquidation amount of the Securities of such holder on or after the respective due date specified in the Subordinated Debt Securities. In connection with such Direct Action, the Company will be subrogated to the rights of such holder of Securities under the Declaration to the extent of any payment made by the Company to such holder of Securities in such Direct Action. The holders of Securities will not be able to exercise directly any other remedy available to the holders of the Subordinated Debt Securities.

Upon the occurrence of a Declaration Event of Default, the Institutional Trustee, as the sole holder of the Subordinated Debt Securities, will have the right under the Indenture to declare the principal of and interest on the Subordinated Debt Securities to be immediately due and payable. The Company and the Trust are each required to file annually with the Institutional Trustee an officer's certificate as to its compliance with all conditions and covenants under the Declaration.

#### VOTING RIGHTS

Except as described herein, under the Trust Act, the Trust Indenture Act and under "Description of the Securities Guarantees -- Modification of the Securities Guarantees; Assignment" in the accompanying Prospectus, and as otherwise required by law and the Declaration, the holders of the Securities will have no voting rights.

Subject to the requirement of the Institutional Trustee obtaining a tax opinion in certain circumstances set forth in the last sentence of this paragraph, the holders of a majority in aggregate liquidation amount of the Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Institutional Trustee, or direct the exercise of any trust or power conferred upon the Institutional Trustee under the Declaration including the right to direct the Institutional Trustee, as holder of the Subordinated Debt Securities, to (i) exercise the remedies available to it under the Indenture as a holder of the Subordinated Debt Securities, (ii) waive any past Indenture Event of Default that is waivable under the Original Indenture (as defined herein), (iii) exercise any right to rescind or annul a declaration that the principal of all the Subordinated Debt Securities shall be due and payable or (iv) consent to any amendment, modification or termination of the Indenture or the Subordinated Debt Securities where such consent shall be required. If the Institutional Trustee fails to enforce its rights under the Subordinated Debt Securities after a holder of record of Securities has made a written request, such holder of record of Securities may institute a legal proceeding directly against the Company to enforce the Institutional Trustee's rights under the Subordinated Debt Securities, to the fullest extent permitted by law, without first instituting any legal proceeding against the Institutional Trustee or any other person or entity. Notwithstanding the foregoing, if a Declaration Event of Default has occurred and is continuing and such event is attributable to the failure of the Company to pay interest or principal on the Subordinated Debt Securities on the date such interest or principal is otherwise payable (or

in the case of redemption on the redemption date), then a holder of Securities may, to the fullest extent permitted by law, directly institute a proceeding for enforcement of payment to such holder of the principal of or interest on the Subordinated Debt Securities having a principal amount equal to the aggregate liquidation amount of the Securities of such holder on or after the respective due date specified in the Subordinated Debt Securities. The Institutional Trustee shall notify all holders of the Securities of any notice of default received from the Debt Trustee with respect to the Subordinated Debt Securities. Such notice shall state that such Indenture Event of Default also constitutes a Declaration Event of Default. Except with respect to directing the time, method and place of conducting a proceeding for a remedy, the Institutional Trustee shall not take any of the actions described in clause (i), (ii) or (iii) above unless the Institutional Trustee has obtained an opinion of tax counsel to the

effect that, as a result of such action, the Trust will not be treated as an association taxable as a corporation for United States federal income tax purposes.

In the event the consent of the Institutional Trustee, as the holder of the Subordinated Debt Securities, is required under the Indenture with respect to any amendment, modification or termination of the Indenture, the Institutional Trustee shall request the direction of the holders of the Trust Securities with respect to such amendment, modification or termination and shall vote with respect to such amendment, modification or termination as directed by a majority in liquidation amount of the Trust Securities voting together as a single class. The Institutional Trustee shall not take any such action in accordance with the directions of the holders of the Trust Securities unless the Institutional Trustee has obtained an opinion of tax counsel to the effect that for the purposes of United States federal income tax the Trust will not be treated as an association taxable as a corporation.

A waiver of an Indenture Event of Default will constitute a waiver of the corresponding Declaration Event of Default.

Any required approval or direction of holders of Securities may be given at a separate meeting of holders of Securities convened for such purpose, at a meeting of all of the holders of Trust Securities or pursuant to written consent. The Regular Trustees will cause a notice of any meeting at which holders of Securities are entitled to vote, or of any matter upon which action by written consent of such holders is to be taken, to be mailed to each holder of record of Securities. Each such notice will include a statement setting forth the following information: (i) the date of such meeting or the date by which such action is to be taken; (ii) a description of any resolution proposed for adoption at such meeting on which such holders are entitled to vote or of such matter upon which written consent is sought and (iii) instructions for the delivery of proxies or consents. No vote or consent of the holders of Securities will be required for the Trust to redeem and cancel Securities or distribute Subordinated Debt Securities in accordance with the Declaration.

Notwithstanding that holders of Securities are entitled to vote or consent under any of the circumstances described above, any of the Securities that are owned at such time by the Company or any entity directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Company, shall not be entitled to vote or consent and shall, for purposes of such vote or consent, be treated as if such Securities were not outstanding.

Holders of the Securities will have no rights to appoint or remove the Washington Water Power Trustees, who may be appointed, removed or replaced solely by the Company as the indirect or direct holder of all of the Common Securities.

#### MODIFICATION OF THE DECLARATION

The Declaration may be modified and amended if approved by the Regular Trustees (and in certain circumstances the Institutional Trustee), provided, however, that if any proposed amendment provides for, or the Regular Trustees otherwise propose to effect, (i) any action that would adversely affect the powers, preferences or special rights of the Trust Securities in any material respect, whether by way of amendment to the Declaration or otherwise or (ii) the dissolution, winding-up or termination of the Trust other than pursuant to the terms of the Declaration, then the holders of the Trust Securities voting together as a single class will be entitled to vote on such amendment or proposal and such amendment or proposal shall not be effective except with the approval of at least a majority in liquidation amount of the Trust Securities affected thereby; provided, however, that if any amendment or proposal referred to in clause (i) above would so adversely affect only the Securities or the Common Securities, then only the affected class will be entitled to vote on such amendment or proposal and such amendment or proposal shall not be effective except with the approval of a majority in liquidation amount of such class

of Securities.

Notwithstanding the foregoing, no amendment or modification may be made to the Declaration if such amendment or modification would (i) cause the Trust to be classified for purposes of United States federal income taxation as an association taxable as a corporation, (ii) reduce or otherwise adversely affect the powers of the Institutional Trustee or (iii) cause the Trust to be deemed an "investment company" which is required to be registered under the Investment Company Act of 1940, as amended (the "1940 Act").



## MERGERS, CONSOLIDATIONS OR AMALGAMATIONS

The Trust may not consolidate, amalgamate, merge with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to, any corporation or other body, except as described below. The Trust may, with the consent of the Regular Trustees and without the consent of the holders of the Trust Securities, the Institutional Trustee or the Delaware Trustee, merge, consolidate or amalgamate with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety, to a trust organized as such under the laws of any State of the United States; provided, however, that (i) if the Trust is not the survivor such successor entity either (x) expressly assumes all of the obligations of the Trust under the Trust Securities or (y) substitutes for the Securities other securities having substantially the same terms as the Securities (the "Successor Securities"), so long as the Successor Securities rank the same as the Trust Securities rank with respect to distributions and payments upon liquidation, redemption and otherwise, (ii) the Company expressly appoints a trustee of such successor entity possessing the same powers and duties as the Institutional Trustee as the holder of the Subordinated Debt Securities, (iii) the Securities or any Successor Securities are listed, or any Successor Securities will be listed upon notification of issuance, on any national securities exchange or with another organization on which the Securities are then listed or quoted, if any, (iv) such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not cause the Securities (including any Successor Securities) to be downgraded by any nationally recognized statistical rating organization, (v) such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not adversely affect the rights, preferences and privileges of the holders of the Trust Securities (including any Successor Securities) in any material respect (other than with respect to any dilution of the holders' interest in the new entity), (vi) such successor entity has a purpose identical to that of the Trust, (vii) prior to such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease, the Company has received an opinion of a nationally recognized independent counsel to the Trust experienced in such matters to the effect that, (A) such merger, consolidation, amalgamation, conveyance, transfer or lease does not adversely affect the rights, preferences and privileges of the holders of the Trust Securities (including any Successor Securities) in any material respect (other than with respect to any dilution of the holders' interest in the new entity), and (B) following such merger, consolidation, amalgamation or replacement, conveyance, transfer or lease, neither the Trust nor such successor entity will be required to register as an investment company under the 1940 Act and (viii) the Company or any permitted successor guarantees the obligations of such successor entity under the Successor Securities at least to the extent provided by the Guarantee. Notwithstanding the foregoing, the Trust shall not, except with the consent of holders of 100% in liquidation amount of the Trust Securities, merge, consolidate or amalgamate with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to, any other entity or permit any other entity to merge, consolidate or amalgamate with or into, or replace it, if such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease would cause the Trust or the Successor Entity to be treated as an association taxable as a corporation for United States federal income tax purposes.

## BOOK-ENTRY ONLY ISSUANCE - THE DEPOSITORY TRUST COMPANY

DTC will act as securities depository for the Securities. The Securities will be issued only as fully-registered securities registered in the name of Cede & Co. (DTC's nominee). One or more fully-registered global Securities certificates, representing the total aggregate number of Securities, will be issued and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants ("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" in DTC 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 NYSE, the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, such as securities brokers and dealers, banks and trust companies that clear transactions through or maintain a custodial relationship with a Direct Participant either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

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

To facilitate subsequent transfers, all Securities deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Securities with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 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 or regulatory requirements as may be in effect from time to time.

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

Neither DTC nor Cede & Co. will itself consent or vote with respect to Securities. Under its usual procedures, DTC mails an Omnibus Proxy to the Trust as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Distributions on the Securities will be made to DTC. 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 unless DTC has reason to believe that it will not receive payment on such payment date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participants and not of DTC, the Trust or the Company, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of distributions to DTC is the responsibility of the Trust, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Securities at any time by giving notice to the Trust. Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered. Additionally, the Trust (with the consent of the Company) may decide to discontinue use of the system of book-entry transfers through DTC (or a successor depository). In that event, certificates for the Securities will be printed and delivered.

The above information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Trust and the Company believe to be reliable, but the Trust and the Issuer take no responsibility for the accuracy thereof.

Except as provided herein, a Beneficial Owner of an interest in a global Securities certificate will not be entitled to receive physical delivery of Securities. Accordingly, each Beneficial Owner must rely on the procedures of DTC to exercise any rights under the Securities.

## REGISTRAR, TRANSFER AGENT AND PAYING AGENT

Payments in respect of the Securities shall be made by check mailed to the address of the holder or holders entitled thereto as such address shall appear on the books and records of the Trust on the record date. See "-- Book-Entry Only Issuance - The Depository Trust Company" for a more complete discussion of payment mechanics applicable so long as the Securities are held in book-entry form. The paying agent shall initially be Wilmington Trust Company. The paying agent shall be permitted to resign as paying agent upon 30 days' written notice to the Regular Trustees. In the event that Wilmington Trust Company shall no longer be the paying agent, the Regular Trustees shall appoint a successor to act as paying agent (which shall be a bank or trust company).

Wilmington Trust Company will act as registrar and transfer agent for the Securities.

Registration of transfers of Securities will be effected without charge by or on behalf of the Trust, but upon payment (with the giving of such indemnity as the Trust or the Company may reasonably require) in respect of any documentary stamp tax or other similar governmental charges which may be imposed in relation to it.

The Trust will not be required to register or cause to be registered the transfer of Securities after such Securities have been called for redemption.

## INFORMATION CONCERNING THE INSTITUTIONAL TRUSTEE

The Institutional Trustee, prior to the occurrence of a default with respect to the Trust Securities and after the curing of any defaults that may have occurred, undertakes to perform only such duties as are specifically set forth in the Declaration and, after such default, shall exercise the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Subject to such provisions, the Institutional Trustee is under no obligation to exercise any of the powers vested in it by the Declaration at the request of any holder of Securities, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby; provided, however, that upon the occurrence of a Declaration Event of Default, no such provisions shall be taken to relieve the Institutional Trustee of its obligation to exercise its rights and powers under the Declaration. The Institutional Trustee also serves as trustee under the Guarantee and the Indenture.

## GOVERNING LAW

The Declaration and the Securities will be governed by and construed in accordance with the laws of the State of Delaware.

## MISCELLANEOUS

The Regular Trustees are authorized and directed to operate the Trust in such a way so that the Trust will not be required to register as an "investment company" under the 1940 Act or treated as an association taxable as a corporation for United States federal income tax purposes. The Company is authorized and directed to conduct its affairs so that the Subordinated Debt Securities will be treated as indebtedness of the Company for United States federal income tax purposes. In this connection, the Company and the Regular Trustees are authorized to take any action, not inconsistent with applicable law, the certificate of trust of the Trust or the certificate of incorporation of the Company, that each of the Company and the Regular Trustees determine in their discretion to be necessary or desirable to achieve such end, as long as such action does not materially adversely affect the interests of the holders of the Securities or vary the

terms thereof.

Holders of the Securities have no preemptive rights.

#### DESCRIPTION OF THE SUBORDINATED DEBT SECURITIES

Set forth below is a description of the specific terms of the Subordinated Debt Securities in which the Trust will invest the proceeds from the issuance and sale of the Trust Securities. This description supplements the description of the general terms and provisions of the Subordinated Debt Securities set forth in the accompanying Prospectus under the caption "Description of the Subordinated Debt Securities." The following description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the description in the

accompanying Prospectus and the Indenture, dated as of \_\_\_\_\_ 1, 199\_ (the "Original Indenture"), between the Company and Wilmington Trust Company, as Trustee (the "Debt Trustee"), (the Original Indenture, as amended and supplemented from time to time, is hereinafter referred to as the "Indenture"), the form of which is filed as an exhibit to the Registration Statement of which this Prospectus Supplement and the accompanying Prospectus form a part. Certain capitalized terms used herein are defined in the Indenture.

Under certain circumstances involving the dissolution of the Trust following the occurrence of a Tax Event, Subordinated Debt Securities may be distributed to the holders of the Trust Securities in liquidation of the Trust. See "Description of the Securities -- Tax Event Redemption or Distribution" herein.

If the Subordinated Debt Securities are distributed to the holders of the Securities upon termination of the Trust in accordance with the Declaration, the Company will use all reasonable efforts to have the Subordinated Debt Securities listed on the NYSE or on such other national securities exchange or similar organization on which the Securities are then listed or quoted.

#### GENERAL

Concurrently with the issuance of the Securities, the Trust will invest the proceeds thereof and the consideration paid by the Company for the Common Securities in the Subordinated Debt Securities issued by the Company. The Subordinated Debt Securities will bear interest at the rate of \_\_\_% per annum of the principal amount thereof, payable \_\_\_\_\_ in arrears on \_\_\_\_\_ of each year (each, an "Interest Payment Date"), commencing \_\_\_\_\_, 199\_, to the persons in whose names the Subordinated Debt Securities are registered, subject to certain exceptions, as of the close of business on the Regular Record Date next preceding such Interest Payment Date. Each Subordinated Debt Security will be held in the name of the Institutional Trustee in trust for the benefit of the holders of the Securities. The amount of interest payable for any period will be computed on the basis of a 360-day year of twelve 30-day months. In the event that any date on which interest is payable on the Subordinated Debt Securities is not a Business Day, then payment of the interest payable on such date will be made on the next succeeding Business Day, except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on the date such payment was originally payable. Interest that is in arrears for more than one Scheduled Interest Period will bear additional interest on the amount thereof, to the extent permitted by law, at the rate of \_\_\_% per annum thereof, compounded \_\_\_\_\_. The term "interest" as used herein shall include \_\_\_\_\_ interest payments, interest on \_\_\_\_\_ interest payments in arrears and Additional Interest (as defined below), as applicable.

The Company will covenant, that, if at any time while the Institutional Trustee under the Declaration is the holder of the Subordinated Debt Securities, Washington Water Power Trust or the Institutional Trustee shall be required to pay any taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed by the United States, or any other taxing authority, then, in any such case, the Company will pay as additional interest ("Additional Interest") on the Subordinated Debt Securities such additional amounts as shall be required so that the net amounts received and retained by Washington Water Power Trust and the Institutional Trustee after paying such taxes, duties, assessments or other governmental charges will be equal to the amounts Washington Water Power Trust and the Institutional Trustee would have received had no such taxes, duties, assessments or other governmental charges been imposed.

The Subordinated Debt Securities will be issued as a series of Subordinated Debt Securities under the Indenture. The Subordinated Debt Securities will mature on \_\_\_\_\_, 20\_\_. The Subordinated Debt Securities will be unsecured and will rank junior and be subordinate in right of payment to all Senior Indebtedness of the Company. The Indenture does not limit the incurrence or issuance of other secured or unsecured debt of the Company, whether under the Indenture, any other indenture that the Company may enter into in the future or otherwise. See "Description of

the Subordinated Debt Securities -- Subordination" in the accompanying Prospectus.

OPTION TO EXTEND INTEREST PAYMENT PERIOD

So long as no Indenture Event of Default has occurred and is continuing, the Company has the right under the Indenture at any time, and from time to time, to extend the interest payment period on the Subordinated Debt Securities to a period not exceeding \_\_ consecutive Scheduled Interest Periods from the last Interest Payment Date to which interest was paid in



full, and such period may not extend beyond the maturity of the Subordinated Debt Securities. In the event that the Company exercises this right to defer interest payments, the Company shall not (a) declare or pay any dividend on, or make any distribution or liquidation payment with respect to, or redeem or purchase any of its capital stock, (b) make any payment of principal, premium, if any, or interest, if any, on or repay, repurchase or redeem any debt securities (including other Subordinated Debt Securities) issued by the Company that rank pari passu with or junior in right of payment to the Subordinated Debt Securities or (c) make any guarantee payments with respect to the foregoing, other than pursuant to the Securities Guarantees); provided, however, that nothing herein shall be deemed to prohibit (i) dividends or distributions payable in shares of the Company's capital stock, (ii) reclassification of the Company's capital stock or exchange or conversion of shares of one class or series of the Company's capital stock into shares of another class or series of the Company's capital stock, (iii) purchases or other acquisitions of fractional interests in shares of the Company's capital stock and (iv) purchases or other acquisitions of shares of the Company's capital stock in connection with the satisfaction by the Company of its obligations under any direct purchase, dividend reinvestment, customer purchase or employee benefit plans or under any contract or security requiring the Company to purchase shares of its capital stock. Prior to the termination of any such Extension Period, the Company may further extend the interest payment period; provided, however, that such Extension Period, together with all such previous and further extensions thereof, may not exceed \_\_ consecutive Scheduled Interest Periods or extend beyond the Stated Maturity of the Subordinated Debt Securities. Upon the termination of an Extension Period and the payment of all amounts then due, the Company may commence a new Extension Period, subject to the above requirements. No interest shall be due and payable during an Extension Period, except at the end thereof. The Company must give the Institutional Trustee, the Regular Trustees and the Debt Trustee written notice of (i) any election by the Company to initiate an Extension Period and the duration thereof, (ii) any election by the Company to extend an Extension Period beyond the date on which that Extension Period is then scheduled to terminate and the duration of such extension and (iii) any election by the Company to make a full payment of interest accrued on the Subordinated Debt Securities on any date during an Extension Period and the amount of such payment. The Company shall give such notice of any election described in clause (i) or (ii) in the next preceding sentence not less than 10 days prior to the Regular Record Date with respect to the next Interest Payment Date on which interest on the Subordinated Debt Securities would otherwise be payable; and the Company shall give such notice of any election described in clause (iii) in the next preceding sentence in accordance with the provisions of the Indenture relating to Unpaid Interest. A Regular Trustee shall give prompt written notice of the Company's election to begin such Extension Period to the holders of the Securities.

At the end of such Extension Period, the Company must pay all interest then accrued and unpaid (together with interest thereon at the rate of \_\_% per annum to the extent permitted by applicable law). During an Extension Period, interest will continue to accrue and holders of Subordinated Debt Securities will be required to accrue interest income for United States federal income tax purposes. See "Certain United States Federal Income Tax Considerations -- Original Issue Discount" herein.

#### REGISTRATION AND TRANSFER

The Subordinated Debt Securities are to be initially registered in the name of Wilmington Trust Company, as Institutional Trustee of Washington Water Power Trust. The Subordinated Debt Securities shall not be transferable, nor shall any purported transfer be registered, except (i) to a nominee of such Institutional Trustee, to such Institutional Trustee by such nominee, by such Institutional Trustee to another nominee, by any such nominee to a successor nominee or by such Institutional Trustee or any nominee thereof to a successor Institutional Trustee or a nominee thereof or (ii) to the holders of Trust Securities in the event of the termination of Washington Water Power Trust in accordance with the provisions of the Declaration. No service charge shall be made for the registration of transfer or exchange of Subordinated Debt Securities; provided, however, that, after any distribution of the Subordinated Debt Securities contemplated in clause (ii) above, the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with the exchange or transfer.

#### REDEMPTION

The Subordinated Debt Securities are subject to redemption (i) at any time on or after \_\_\_\_\_, 20\_\_, in whole or in part, at the election of the Company, at a redemption price equal to 100% of the principal amount thereof plus accrued interest, if any (including Additional Interest, if any), to the date fixed for redemption; provided, however, that the Subordinated Debt Securities will not be so redeemable in part unless all interest (including Additional Interest) accrued through the most recent \_\_\_\_\_ period ended on or prior to the date fixed for redemption shall

have been paid, or (ii) in whole but not in part, at the election of the Company, on any date within 90 days of the occurrence, and during the continuation, of a Tax Event at a redemption price equal to \_\_\_% of the principal amount thereof plus accrued interest, if any (including Additional Interest, if any) to the date fixed for redemption.

#### DISTRIBUTION OF SUBORDINATED DEBT SECURITIES

Upon the occurrence of a Tax Event, at any time, the Company has the right to terminate the Trust, and, in such event, Subordinated Debt Securities will be distributed to the holders of the Securities in liquidation of the Trust after satisfaction of liabilities to creditors of the Trust as provided by applicable law. If distributed to holders of Securities in liquidation, the Subordinated Debt Securities will initially be issued in the form of one or more global securities and DTC, or any successor depository for the Securities, will act as depository for the Subordinated Debt Securities. It is anticipated that the depository arrangements for the Subordinated Debt Securities would be substantially identical to those in effect for the Securities. If the Subordinated Debt Securities are distributed to the holders of the Securities upon termination of the Trust in accordance with the Declaration, the Company will use all reasonable efforts to cause the Subordinated Debt Securities to be listed on the NYSE or on such other securities exchanges as the Securities are then listed. There can be no assurance as to the market price of any Subordinated Debt Securities that may be distributed to the holders of Securities.

#### CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following summary describes the principal United States federal income tax consequences relevant to the purchase, ownership and disposition of the Securities as of the date hereof and represents the opinion of Reid & Priest LLP, counsel to the Company, insofar as it relates to matters of law or legal conclusions. Except where noted, it deals only with Securities held as capital assets and does not deal with special situations, such as those of dealers in securities or currencies, financial institutions, life insurance companies, tax-exempt organizations, persons holding Securities as part of a hedging or conversion transaction or a straddle, United States Holders (as defined herein) whose "functional currency" is not the United States dollar, or persons who are not United States Holders. In addition, this discussion does not address the tax consequences to persons who purchase Securities other than pursuant to their initial issuance and distribution. Furthermore, the discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended, and regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be repealed, revoked or modified at any time, possibly retroactively, so as to result in United States federal income tax consequences different from those discussed below. These authorities are subject to various interpretations and it is therefore possible that the United States federal income tax treatment of the Securities may differ from the treatment described below.

PROSPECTIVE PURCHASERS OF SECURITIES, INCLUDING PERSONS WHO ARE NOT UNITED STATES HOLDERS AND PERSONS WHO PURCHASE SECURITIES IN THE SECONDARY MARKET, ARE ADVISED TO CONSULT WITH THEIR TAX ADVISORS AS TO THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF SECURITIES IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES, AS WELL AS THE EFFECT OF ANY STATE, LOCAL OR OTHER TAX LAWS.

#### UNITED STATES HOLDERS

As used herein, a "United States Holder" means a Security holder that is a citizen or a resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, or an estate or trust the income of which is subject to United States federal income taxation regardless of its source.

## CLASSIFICATION OF THE TRUST

Reid & Priest LLP, counsel to the Company and the Trust, is of the opinion that, under current law and assuming full compliance with the terms of the Indenture and the instruments establishing the Trust (and certain other documents), the Trust will be classified as a "grantor trust" for United States federal income tax purposes and will not be classified as an association taxable as a corporation. Each United States Holder will be

treated as owning an undivided beneficial interest in the Subordinated Debt Securities. Investors should be aware that the opinion of Reid & Priest LLP is not binding on the Internal Revenue Services (the "IRS") or the courts.

#### CLASSIFICATION OF THE SUBORDINATED DEBT SECURITIES

Based on the advice of its counsel, the Company believes and intends to take the position that the Subordinated Debt Securities will constitute indebtedness for United States federal income tax purposes. No assurance can be given that such position will not be challenged by the IRS, or that any such challenge will not be successful. By purchasing and accepting Securities, each holder thereof covenants to treat the Subordinated Debt Securities as indebtedness and the Securities as evidence of an indirect beneficial ownership in the Subordinated Debt Securities. The remainder of this discussion, except as is expressly indicated to the contrary, assumes that the Subordinated Debt Securities will be classified as indebtedness of the Company for United States federal income tax purposes.

#### POSSIBLE TAX LAW CHANGES

On March 19, 1996, the Revenue Reconciliation Bill of 1996 (the "Bill"), the revenue portion of President Clinton's budget proposal, was released. The Bill would, among other things, generally treat as equity an instrument, issued by a corporation, that has a maximum term of more than 20 years and that is not shown as indebtedness on the separate balance sheet of the issuer or, where the instrument is issued to a related party (other than a corporation), where the holder or some other related party issues a related instrument that is not shown as indebtedness on the issuer's consolidated balance sheet. The above-described provision was proposed to be effective generally for instruments issued on or after December 7, 1995. If such provision were to apply to the Subordinated Debt Securities, the Company would be unable to deduct interest on the Subordinated Debt Securities. However, on March 29, 1996, the Chairmen of the Senate Finance and House Ways and Means Committees issued a joint statement to the effect that it was their intention that the effective date of the President's legislative proposals, if adopted, will be no earlier than the date of appropriate Congressional action. There can be no assurance, however, that current or future legislative proposals or final legislation will not affect the ability of the Company to deduct interest on the Subordinated Debt Securities. If legislation were enacted limiting, in whole or in part, the deductibility by the Company of interest on the Subordinated Debt Securities for United States federal income tax purposes, such enactment could give rise to a Tax Event. A Tax Event would permit the Company to cause a redemption of the Securities as described more fully under "Description of the Securities -- Tax Event Redemption or Distribution" herein.

#### PAYMENTS OF INTEREST

Except as set forth below, stated interest on a Subordinated Debt Security will generally be taxable to a United States Holder as ordinary income at the time it is paid or accrued in accordance with the United States Holder's method of accounting for tax purposes.

#### ORIGINAL ISSUE DISCOUNT

Under income tax regulations that recently became effective, the Company believes that the Subordinated Debt Securities will not be treated as issued with OID. It should be noted that these regulations have not yet been addressed in any rulings or other interpretations by the IRS. Accordingly, it is possible that the IRS could take a position contrary to the interpretation described herein.

Under the Indenture, the Company has the right to defer the payment of interest on the Subordinated Debt Securities at any time or from time to time for a period not exceeding \_\_ consecutive Scheduled Interest Periods with respect to each Extension Period provided, however, that no Extension Period may extend beyond the Stated Maturity (as defined in the Indenture) of the Subordinated Debt Securities. Should the Company exercise this right to defer payments of interest, the Subordinated Debt Securities would at that time be treated as issued with OID and all the stated interest payments on the Subordinated Debt Securities would thereafter be treated as OID for so long as they remained outstanding. As a result, all United

States Holders would, in effect, be required to accrue interest income even if such United States Holders are on a cash method of accounting. Consequently, in the event that the payment of interest is deferred, a United States Holder could be required to include OID in income on an economic accrual basis, notwithstanding that the Company will not make any interest payments during such period on the Subordinated Debt Securities.

RECEIPT OF SUBORDINATED DEBT SECURITIES OR CASH UPON LIQUIDATION  
OF THE TRUST

Upon the occurrence of a Tax Event the Company has the right to cause Subordinated Debt Securities to be distributed to holders of Securities in exchange for the Securities and in liquidation of the Trust. Under current law, for United States federal income tax purposes, if the Trust is treated as a "grantor trust" at the time of distribution, such distribution would be treated as a non-taxable event to each United States Holder, and each United States Holder would receive an aggregate tax basis in the Subordinated Debt Securities equal to such holder's aggregate tax basis in its Securities. A United States Holder's holding period for the Subordinated Debt Securities received in liquidation of the Trust would include the period during which such holder held the Securities.

Under certain circumstances, as described herein under the caption "Description of Securities," the Subordinated Debt Securities may be redeemed for cash and the proceeds of such redemption distributed to holders of Securities in redemption of the Securities. Under current law, such a redemption would, for United States federal income tax purposes, constitute a taxable disposition of the Securities, and a United States Holder would recognize gain or loss as if such holder had sold such redeemed Securities. See "-- Sale, Exchange and Redemption of the Securities" below.

SALE, EXCHANGE AND REDEMPTION OF THE SECURITIES

Upon the sale, exchange or redemption of Securities, a United States Holder will recognize gain or loss equal to the difference between the amount realized upon the sale, exchange or redemption and such holder's adjusted tax basis in the Securities. A United States Holder's adjusted tax basis will, in general, be the issue price of the Securities, increased by any interest income or OID previously included in income by the United States Holder and reduced by any distributions on the Securities. Such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange or redemption, the Securities have been held for more than one year. Under current law, net capital gains of individuals are, under certain circumstances, taxed at lower rates than items of ordinary income. The deductibility of capital losses is subject to limitations.

INFORMATION REPORTING AND BACKUP WITHHOLDING

Subject to the qualification discussed below, income on the Securities will be reported to holders on Form 1099, which should be mailed to such holders by January 31 following each calendar year.

So long as the Securities will be held in book-entry only form, the Trust will be obligated to report annually to Cede & Co., as holder of record of the Securities, the interest income or OID related to the Subordinated Debt Securities that accrued during the year. The Trust currently intends to report such information on Form 1099 prior to January 31 following each calendar year. The Underwriters have indicated to the Trust that, to the extent that they hold Securities as nominees for beneficial holders, they currently expect to report the interest income or OID that accrued during the calendar year on such Securities to such beneficial holders on Form 1099 by January 31 following each calendar year. Under current law, holders of Securities who hold as nominees for beneficial holders will not have any obligation to report information regarding the beneficial holders to the Trust. The Trust, moreover, will not have any obligation to report to beneficial holders who are not also record holders. Thus, beneficial holders of Securities who hold their Securities through underwriters will receive Forms 1099 reflecting the income on their Securities from such underwriters rather than from the Trust.

Payments made in respect of, and proceeds from the sale of, Securities (or Subordinated Debt Securities distributed to holders of Securities) may be subject to "backup" withholding tax of 31% if the holder fails to comply with certain identification requirements, if such holder has previously failed to report in full dividend and interest income, or if the holder does not otherwise establish its entitlement to an exemption.



Any withheld amount will be allowed as a credit against the holder's United States federal income tax liability; provided, however, that certain required information is provided to the IRS.

These information reporting and "backup" withholding tax rules are subject to temporary Treasury Regulations. Accordingly, the application of such rules to the Securities could be changed.

UNDERWRITING

Subject to the terms and conditions set forth in an underwriting agreement (the "Underwriting Agreement"), Washington Water Power Capital has agreed to sell to each of the Underwriters named below, and each of the Underwriters, for whom Merrill Lynch, Pierce, Fenner & Smith Incorporated is acting as representative (the "Representative"), has severally agreed to purchase the number of Securities set forth opposite its name below. In the Underwriting Agreement, the several Underwriters have agreed, subject to the terms and conditions set forth therein, to purchase all the Securities offered hereby if any of the Securities are purchased. In the event of default by an Underwriter, the Underwriting Agreement provides that, in certain circumstances, the purchase commitments of the non-defaulting Underwriters may be increased or the Underwriting Agreement may be terminated.

UNDERWRITERS -----	NUMBER OF SECURITIES -----
Merrill Lynch, Pierce, Fenner & Smith Incorporated . . . . .	
Total . . . . .	_____ =====

The Underwriters propose to offer the Securities, in part, directly to the public at the initial public offering price set forth on the cover page of this Prospectus Supplement, and, in part, to certain securities dealers at such price less a concession of \$\_\_\_\_ per Security. The Underwriters may allow, and such dealers may reallow, a concession not in excess of \$\_\_\_\_ per Security to certain brokers and dealers. After the Securities are released for sale to the public, the offering price and other selling terms may from time to time be varied by the Representative.

In view of the fact that the proceeds of the sale of the Securities will ultimately be used to purchase the Subordinated Debt Securities of the Company, the Underwriting Agreement provides that the Company will pay as Underwriters' Compensation to the Underwriters arranging the investment therein of such proceeds, an amount in immediately available funds of \$\_\_\_\_ per Security (or \$\_\_\_\_\_ in the aggregate) for the accounts of the several Underwriters; provided, however, that such compensation for sales of 10,000 or more Securities to any single purchaser will be \$\_\_\_\_ per Security. Therefore, to the extent of such sales, the actual amount of Underwriters' Compensation will be less than the aggregate amount specified in the preceding sentence.

During a period of 30 days from the date of this Prospectus Supplement, neither the Trust nor the Company will, without the prior written consent of the Underwriters, directly or indirectly, sell, offer to sell, grant any option for sale of or otherwise dispose of, any Securities, any security convertible into or exchangeable into or exercisable for Securities or Subordinated Debt Securities or any debt securities substantially similar to the Subordinated Debt Securities or equity securities substantially similar to the Securities (except for the Securities and the Subordinated Debt Securities offered hereby).

Application will be made to list the Securities on the NYSE. If approved, trading of the Securities on the NYSE is expected to commence within a 30-day period after the initial delivery of the Securities. The Representative has advised Washington Water Power Capital that they intend to make a market in the Securities prior to the commencement of trading on the NYSE. The Representative will have no obligation to make a market in the Securities, however, and may cease market making activities, if commenced, at any time.

Prior to this offering there has been no public market for the Securities.

Washington Water Power Capital and the Company have agreed to indemnify the Underwriters against, or contribute to payments that the Underwriters may be required to make in respect of, certain liabilities, including liabilities under the Securities Act of 1933, as amended.

Certain of the Underwriters engage in transactions with, and, from time to time, have performed services for, the Company and its subsidiaries in the ordinary course of business.

PROSPECTUS

\$150,000,000  
THE WASHINGTON WATER POWER COMPANY  
SUBORDINATED DEBT SECURITIES\_\_\_\_\_

WASHINGTON WATER POWER CAPITAL I  
WASHINGTON WATER POWER CAPITAL II  
WASHINGTON WATER POWER CAPITAL III

SECURITIES

FULLY AND UNCONDITIONALLY GUARANTEED BY

THE WASHINGTON WATER POWER COMPANY  
\_\_\_\_\_

The Washington Water Power Company (the "Company") a Washington corporation, may from time to time offer its subordinated debentures, notes or other evidence of indebtedness (the "Subordinated Debt Securities") in one or more series and in amounts, at prices and on terms to be determined at the time of the offering. The Subordinated Debt Securities when issued will be unsecured obligations of the Company. The Company's obligations under the Subordinated Debt Securities will be subordinate and junior in right of payment to certain other indebtedness, as may be described in an accompanying Prospectus Supplement (a "Prospectus Supplement") and in an aggregate amount to be set forth as of the most recent practicable date in such Prospectus Supplement.

Washington Water Power Capital I, Washington Water Power Capital II and Washington Water Power Capital III (each, a "Washington Water Power Trust"), each a statutory business trust formed under the laws of the State of Delaware, may offer, from time to time, securities representing undivided beneficial interests in the assets of the respective Washington Water Power Trust ("Securities"). The payment of periodic cash distributions ("distributions") with respect to Securities of each of the Washington Water Power Trusts out of moneys held by each of the Washington Water Power Trusts, and payment on liquidation, redemption or otherwise with respect to such Securities, will be guaranteed by the Company to the extent described herein (each, a "Securities Guarantee"). See "Description of the Securities Guarantees" herein. The Company's obligations under the Securities Guarantees are subordinate and junior in right of payment to all other liabilities of the Company. Subordinated Debt Securities may be issued and sold from time to time in one or more series to a Washington Water Power Trust or a trustee of such Washington Water Power Trust in connection with the investment of the proceeds from the offering of Securities and Common Securities (as defined herein, together the "Trust Securities") of such Washington Water Power Trust. The Subordinated Debt Securities purchased by a Washington Water Power Trust may subsequently be distributed pro rata to holders of Securities and Common Securities in connection with the dissolution of such Washington Water Power Trust upon the occurrence of certain events as may be described in an accompanying Prospectus Supplement. The Subordinated Debt Securities and the Securities and the related Securities Guarantees are sometimes collectively referred to hereafter as the "Offered Securities."

Specific terms of the Subordinated Debt Securities of any series or the Securities of any Washington Water Power Trust, the terms of which will be correlative to the terms of the Subordinated Debt Securities held by any Washington Water Power Trust, in respect of which this prospectus (the "Prospectus") is being delivered, will be set forth in a Prospectus Supplement with respect to such securities which will describe, without limitation and where applicable, the following: (i) in the case of Subordinated Debt Securities, the specific designation, aggregate principal amount, denomination, maturity, premium, if any, any exchange, conversion, redemption or sinking fund provisions, if any, interest rate (which may be fixed or variable), if any, the time and method of calculating interest payments, if any, dates on which premium, if any, and interest, if any, will be payable, the right of the Company, if any, to defer payment of interest on the Subordinated Debt Securities and the maximum length of such deferral period, the initial public offering price, subordination terms, and any listing on a securities exchange and other specific terms of the offering; and (ii) in the case of Securities, the designation, number of securities, liquidation amount per security, initial public offering price,

any listing on a securities exchange, distribution rate (or method of calculation thereof), dates on which distributions shall be payable and dates from which distributions shall accrue, any voting rights, terms for any conversion or exchange into other securities, any redemption, exchange or sinking fund provisions, any other rights, preferences, privileges, limitations or restrictions relating to the Securities and the terms upon which the proceeds of the sale of the Securities shall be used to purchase a specific series of Subordinated Debt Securities of the Company.

The Offered Securities may be offered in amounts, at prices and on terms to be determined at the time of offering; provided, however, that the aggregate initial public offering price of all Offered Securities shall not exceed \$150,000,000. The Prospectus Supplement relating to any series of Offered Securities will contain information concerning certain United States federal income tax considerations, if applicable to the Offered Securities.

The Company and/or each of the Washington Water Power Trusts may sell the Offered Securities directly, through agents designated from time to time, or through underwriters or dealers. See "Plan of Distribution" below. If any agents of the Company and/or any Washington Water Power Trust or any underwriters or dealers are involved in the sale of the Offered Securities, the names of such agents, underwriters or dealers and any applicable commissions and discounts will be set forth in any related Prospectus Supplement.

This Prospectus may not be used to consummate sales of securities unless accompanied by a Prospectus Supplement.

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THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus is \_\_\_\_\_, 199\_

## AVAILABLE INFORMATION

This Prospectus constitutes a part of a combined Registration Statement on Form S-3 (together with all amendments and exhibits thereto, the "Registration Statement") filed by the Company and the Washington Water Power Trusts with the Securities and Exchange Commission (the "SEC" or the "Commission") under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the Offered Securities. This Prospectus does not contain all of the information set forth in such Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the SEC, although it does include a summary of the material terms of the Indenture and the Declarations (as defined herein). Reference is made to such Registration Statement and to the exhibits relating thereto for further information with respect to the Company, the Washington Water Power Trusts and the Offered Securities. Any statements contained herein concerning the provisions of any document filed as an exhibit to the Registration Statement or otherwise filed with the SEC or incorporated by reference herein are not necessarily complete, and, in each instance, reference is made to the copy of such document so filed for a more complete description of the matter involved. Each such statement is qualified in its entirety by such reference.

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the SEC. Information, as of particular dates, concerning the Company's directors and officers, their remuneration, the principal holders of the Company's securities, and any material interest of such persons in transactions with the Company is disclosed in proxy statements distributed to shareholders of the Company and filed with the SEC. These reports, proxy statements and other information can be inspected and copied at the public reference facilities of the SEC at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549; 7 World Trade Center, 13th Floor, New York, New York 10048; and 500 West Madison Street, 14th Floor, Chicago, Illinois 60601; and copies of such material can be obtained from the Public Reference Section of the SEC, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. The SEC maintains a Web site that contains reports, proxy and information statements and other information regarding reporting companies under the Exchange Act, including the Company, at <http://www.sec.gov>. The Company's Common Stock is listed on the New York and Pacific Stock Exchanges, and reports, proxy statements and other information concerning the Company can be inspected at the offices of such exchanges located at the New York Stock Exchange, 20 Broad Street, New York, New York 10005, and the Pacific Stock Exchange, 301 Pine Street, San Francisco, California 94104, respectively.

No separate financial statements of any of the Washington Water Power Trusts have been included herein. The Company does not consider that such financial statements would be material to holders of the Securities because (i) all of the voting securities of each of the Washington Water Power Trusts will be owned, directly or indirectly, by the Company, a reporting company under the Exchange Act, (ii) each of the Washington Water Power Trusts has no independent operations but exists for the sole purpose of issuing securities representing undivided beneficial interests in the assets of such Washington Water Power Trust and investing the proceeds thereof in Subordinated Debt Securities issued by the Company and (iii) the Company's obligations described herein and in any accompanying Prospectus Supplement to provide certain indemnities in respect of and be responsible for certain costs, expenses, debts and liabilities of each of Washington Water Power Capital I, II and III under the Indenture (as defined herein), pursuant to the Declarations of each Trust and under the Expense Agreements (as defined herein) relating to each Trust, the guarantee issued with respect to Securities issued by that Trust, the Subordinated Debt Securities purchased by that Trust and the related Indenture, taken together, effectively constitute a full and unconditional guarantee, on a subordinated basis, of payments due on the Securities. See "Description of the Subordinated Debt Securities" and "Description of the Securities Guarantees" herein.

The Washington Water Power Trusts are not currently subject to the information reporting requirements of the Exchange Act. The Washington Water Power Trusts will become subject to such requirements upon the effectiveness of the Registration Statement, although they intend to seek and expect to receive exemptions therefrom.

The Company hereby incorporates herein by reference, and as of any time hereafter prior to the termination of the offering made by this Prospectus the Company shall be deemed to have incorporated herein by reference, (1) the Company's latest Annual Report on Form 10-K (the "Latest Annual Report") filed by the Company with the SEC pursuant to the Exchange Act, and (2) all other reports and documents filed by the Company with the SEC



pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the filing of the Latest Annual Report, and all of such documents shall be deemed to be a part hereof from the respective dates of filing thereof. The documents incorporated herein by reference are sometimes hereinafter called the "Incorporated Documents." Any statement contained in an Incorporated Document shall be deemed to be modified or superseded for all purposes to the extent that a statement in this Prospectus or in any subsequently filed Incorporated Document modifies or replaces such statement. The Incorporated Documents incorporated herein by reference as of the date of this Prospectus are the Annual Report on Form 10-K for the year ended December 31, 1995, the Quarterly Reports on Form 10-Q for the quarters ended March 31, June 30 and September 30, 1996, and the Current Report on Form 8-K dated December 1, 1996.

THE COMPANY HEREBY UNDERTAKES TO PROVIDE WITHOUT CHARGE TO EACH PERSON TO WHOM A COPY OF THIS PROSPECTUS HAS BEEN DELIVERED, ON THE WRITTEN OR ORAL REQUEST OF ANY SUCH PERSON, A COPY OF ANY OR ALL OF THE INCORPORATED DOCUMENTS, OTHER THAN EXHIBITS THERETO (UNLESS SUCH EXHIBITS ARE SPECIFICALLY INCORPORATED BY REFERENCE INTO SUCH INCORPORATED DOCUMENTS). REQUESTS FOR SUCH COPIES SHOULD BE DIRECTED TO LAWRENCE J. PIERCE, VICE PRESIDENT AND TREASURER, BY MAIL AT THE WASHINGTON WATER POWER COMPANY, POST OFFICE BOX 3727, SPOKANE, WASHINGTON 99220, OR BY TELEPHONE AT 509-489-0500.

#### THE TRUSTS

Each of Washington Water Power Capital I and Washington Water Power Capital II and Washington Water Power Capital III is a statutory business trust formed under Delaware law pursuant to (i) a separate declaration of trust (each a "Declaration") executed by the Company, as sponsor for such trust and the Washington Water Power Trustees (as defined herein) for such trust and (ii) the filing of a certificate of trust with the Delaware Secretary of State on November 4, 1996. Each Washington Water Power Trust exists for the exclusive purposes of (i) issuing the Securities and common securities representing undivided beneficial interests in the assets of such Trust (the "Common Securities" and, together with the Securities, the "Trust Securities"), (ii) investing the gross proceeds of the sale of the Trust Securities in the Subordinated Debt Securities and (iii) engaging in only those other activities necessary or incidental thereto. All of the Common Securities will be directly or indirectly owned by the Company. The Common Securities will rank *pari passu*, and payments will be made thereon *pro rata* with the Securities except that upon an event of default under the Declaration, the rights of the holders of the Common Securities to payment in respect of distributions and payments upon liquidation, redemption and otherwise will be subordinated to the rights of the holders of the Securities. The Company will, directly or indirectly, acquire Common Securities in an aggregate liquidation amount equal to 3 percent of the total capital of each Washington Water Power Trust. Each Washington Water Power Trust has a term of approximately 45 years, but may terminate earlier as provided in the related Declaration. Each Washington Water Power Trust's business and affairs will be conducted by the trustees (the "Washington Water Power Trustees") appointed by the Company as the direct or indirect holder of all of the Common Securities. The holder of the Common Securities will be entitled to appoint, remove or replace any of, or increase or reduce the number of, the Washington Water Power Trustees of a Washington Water Power Trust. The duties and obligations of the Washington Water Power Trustees shall be governed by the Declaration of such Washington Water Power Trust. A majority of the Washington Water Power Trustees (the "Regular Trustees") of each Washington Water Power Trust will be persons who are employees or officers of or affiliated with the Company. One Washington Water Power Trustee of each Washington Water Power Trust will be a financial institution which will be unaffiliated with the Company and which shall act as property trustee and as indenture trustee for purposes of the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), pursuant to the terms set forth in a Prospectus Supplement (the "Institutional Trustee"). In addition, unless the Institutional Trustee maintains a principal place of business in the State of Delaware, and otherwise meets the requirements of applicable law, one Washington Water Power Trustee of each Washington Water Power Trust will have its principal place of business or reside in the State of Delaware (the "Delaware Trustee"). The Company will pay all fees and expenses related to the Washington Water Power Trusts and the offering of Trust Securities, the payment of which will be guaranteed by the Company. The office of the Delaware Trustee for each Washington Water Power Trust in the State of Delaware is Wilmington Trust Company, Rodney Square North, 1100 North

Market Street, Wilmington, Delaware 19890. The principal place of business of each Washington Water Power Trust shall be c/o The Washington Water Power Company, 1411 East Mission Avenue, Spokane, Washington 99202. The telephone number is 509-489-0500.

## USE OF PROCEEDS

Each Washington Water Power Trust will use all proceeds received from the sale of the Securities to purchase Subordinated Debt Securities from the Company. The Company intends to use the net proceeds from the issuance and sale of the Subordinated Debt Securities for any or all of the following purposes: (i) to fund a portion of the Company's construction, facility improvement and maintenance programs, (ii) to retire or exchange one or more outstanding series of its preferred stock, bonds or notes, (iii) to reimburse the Company's treasury for funds previously expended for these purposes, and (iv) for other general corporate purposes.

## DESCRIPTION OF THE SUBORDINATED DEBT SECURITIES

Subordinated Debt Securities may be issued from time to time in one or more series under an Indenture, dated as of \_\_\_\_\_ 1, 199\_ (the "Original Indenture"), between the Company and Wilmington Trust Company, as Trustee (the "Debt Trustee"), (the Original Indenture, as amended and supplemented from time to time, is hereinafter referred to as the "Indenture"). The terms of the Subordinated Debt Securities will include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act. The following summary does not purport to be complete and is subject in all respects to the provisions of, and is qualified in its entirety by reference to, the Indenture, which is filed as an exhibit to the Registration Statement of which this Prospectus forms a part, and the Trust Indenture Act. Capitalized terms used under this heading which are not otherwise defined in this Prospectus, shall have the meanings ascribed thereto in the Indenture. Whenever particular provisions or defined terms in the Indenture are referred to herein, such provisions or defined terms are incorporated by reference herein.

## GENERAL

Each series of Subordinated Debt Securities will rank pari passu with all other series of Subordinated Debt Securities, will be unsecured and subordinate and junior in right of payment to the extent and in the manner set forth in the Indenture to all Senior Indebtedness (as defined herein) of the Company. See "-- Subordination" herein. Except as otherwise provided in the applicable Prospectus Supplement, the Indenture does not limit the incurrence or issuance of other secured or unsecured debt of the Company, whether under the Indenture, any other indenture that the Company may enter into in the future or otherwise. See "-- Subordination" herein and the Prospectus Supplement relating to any offering of Securities or Subordinated Debt Securities.

Concurrently with the issuance of each Washington Water Power Trust's Securities, such Washington Water Power Trust will invest the proceeds from the sale thereof and the consideration paid by the Company for the Common Securities of such Washington Water Power Trust in a series of Subordinated Debt Securities issued by the Company to such Washington Water Power Trust. Each series of Subordinated Debt Securities issued to a Washington Water Power Trust or a trustee of such trust in connection with the issuance of Trust Securities by such Washington Water Power Trust, will be in the principal amount equal to the aggregate stated liquidation amount of the related Securities plus the Company's concurrent investment in the Common Securities and will rank pari passu with all other series of Subordinated Debt Securities. Such Subordinated Debt Securities will be unsecured and subordinate and junior in right of payment to the extent and in the manner set forth in the Indenture to all Senior Indebtedness of the Company. See "-- Subordination" herein and the Prospectus Supplement relating to any offering of related Securities.

The applicable Prospectus Supplement or Prospectus Supplements will describe the following terms of the Subordinated Debt Securities: (1) the title of the Subordinated Debt Securities; (2) any limit upon the aggregate principal amount of the Subordinated Debt Securities; (3) the date or dates on which the principal of the Subordinated Debt Securities is payable or the method of determination thereof and the right, if any, to extend such date or dates; (4) the rate or rates, if any, or the method by which such rate or rates shall be determined, at which the Subordinated Debt Securities shall bear interest, if any, the date or dates from which any such interest will accrue, the Interest Payment Dates on which any such

interest shall be payable, the right, if any, of the Company to defer or extend an Interest Payment Date, and the Regular Record Date for any interest payable on any Interest Payment Date and the person or persons to whom interest on such Subordinated Debt Securities shall be payable on any Interest Payment Date, if other than the persons in whose names such Subordinated Debt Securities are registered at the close of business on the Regular Record Date for such interest; (5) the place or places where, subject to the terms of the Indenture as described below under "-- Payment and Paying Agents," the principal of and premium, if any, and interest on

the Subordinated Debt Securities will be payable and where, subject to the terms of the Indenture as described below under "-- Registration and Transfer," the Subordinated Debt Securities may be presented for registration of transfer or exchange and the place or places where notices and demands to or upon the Company in respect of the Subordinated Debt Securities and the Indenture may be served; the Security Registrar and Paying Agents for such Subordinated Debt Securities; and, if such is the case, that the principal of such Subordinated Debt Securities shall be payable without presentation or surrender thereof; (6) any period or periods within, or date or dates on, which, the price or prices at which and the terms and conditions upon which Subordinated Debt Securities may be redeemed, in whole or in part, at the option of the Company; (7) the obligation or obligations, if any, of the Company to redeem or purchase any of the Subordinated Debt Securities pursuant to any sinking fund or other mandatory redemption provisions or at the option of the holder thereof, and the period or periods within which, the price or prices at which, and the terms and conditions upon which the Subordinated Debt Securities shall be redeemed or purchased, in whole or in part, pursuant to such obligation, and applicable exceptions to the requirements of a notice of redemption in the case of mandatory redemption or redemption at the option of the holder; (8) the denominations in which any Subordinated Debt Securities shall be issuable if other than denominations of \$1,000 and any integral multiple thereof (in the case of Subordinated Debt Securities issued to a Washington Water Power Trust or a trustee of such trust in connection with the issuance of Trust Securities by such Washington Water Power Trust, the denominations in which any Subordinated Debt Securities shall be issuable if other than denominations of \$25 and any integral multiple thereof); (9) if the Subordinated Debt Securities are to be issued in global form, the identity of the depositary thereof; and (10) any other terms of the Subordinated Debt Securities not inconsistent with the provisions of the Indenture.

#### PAYMENT AND PAYING AGENTS

Except as may be provided in the applicable Prospectus Supplement, interest, if any, on each Subordinated Debt Security payable on each Interest Payment Date will be paid to the person in whose name such Subordinated Debt Security is registered as of the close of business on the regular record date relating to such Interest Payment Date (each such period of interest accrual being hereinafter called a "Scheduled Interest Period"); provided, however, that interest payable at maturity (whether at stated maturity, upon redemption or otherwise, hereinafter "Maturity") will be paid to the person to whom principal is paid. However, if there has been a default in the payment of interest on any Subordinated Debt Security, such defaulted interest may be payable to the holder of such Subordinated Debt Security as of the close of business on a date selected by the Debt Trustee which is not more than 30 days and not less than 10 days prior to the date proposed by the Company for payment of such defaulted interest or in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Subordinated Debt Security may be listed, if the Debt Trustee deems such manner of payment practicable.

Unless otherwise specified in the applicable Prospectus Supplement, the principal of and premium, if any, and interest, if any, on the Subordinated Debt Securities at Maturity will be payable upon presentation of the Subordinated Debt Securities at the corporate trust office of Wilmington Trust Company, in Wilmington, Delaware, as Paying Agent for the Company. The Company may change the Place of Payment on the Subordinated Debt Securities, may appoint one or more additional Paying Agents (including the Company) and may remove any Paying Agent, all at its discretion.

#### REGISTRATION AND TRANSFER

Unless otherwise specified in the applicable Prospectus Supplement, the transfer of Subordinated Debt Securities may be registered, and Subordinated Debt Securities may be exchanged for other Subordinated Debt Securities of the same series and tranche, of authorized denominations and of like tenor and aggregate principal amount, at the corporate trust office of Wilmington Trust Company, in Wilmington, Delaware, as Security Registrar for the Subordinated Debt Securities. The Company may change the place for registration of transfer and exchange of the Subordinated Debt Securities and may designate one or more additional places for such registration and exchange, all at its discretion. Except as otherwise provided in the applicable Prospectus Supplement, no service charge will be made for any transfer or exchange of the Subordinated Debt Securities, but the Company

may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of the Subordinated Debt Securities. The Company will not be required to execute or to provide for the registration of transfer of or the exchange of (a) any Subordinated Debt Security during a period of 15 days prior to giving any notice of redemption or (b) any Subordinated Debt Security selected for redemption in whole or in part,

except the unredeemed portion of any Subordinated Debt Security being redeemed in part.

#### REDEMPTION

Any terms for the optional or mandatory redemption of Subordinated Debt Securities will be set forth in the applicable Prospectus Supplement. Except as shall otherwise be provided in the applicable Prospectus Supplement with respect to Subordinated Debt Securities redeemable at the option of the holder, Subordinated Debt Securities will be redeemable only upon notice by mail not less than 30 nor more than 60 days prior to the date fixed for redemption, and, if less than all the Subordinated Debt Securities of a series, or any tranche thereof, are to be redeemed, the particular Subordinated Debt Securities to be redeemed will be selected by such method as shall be provided for such series or Tranche, or in the absence of any such provision, by such method of random selection as the Security Registrar deems fair and appropriate.

Any notice of redemption at the option of the Company may state that such redemption will be conditional upon receipt by the Paying Agent or Agents, on or prior to the dated fixed for such redemption, of money sufficient to pay the principal of and premium, if any, and interest, if any, on such Subordinated Debt Securities and that if such money has not been so received, such notice will be of no force or effect and the Company will not be required to redeem such Subordinated Debt Securities.

#### MODIFICATION OF INDENTURE

Without the consent of any holders of Subordinated Debt Securities, the Company and the Trustee may enter into one or more supplemental indentures for any of the following purposes:

- (a) to evidence the succession of another Person to the Company and the assumption by any such successor of the covenants of the Company in the Indenture and in the Subordinated Debt Securities; or
- (b) to add one or more covenants of the Company or other provisions for the benefit of all holders of Subordinated Debt Securities or for the benefit of the holders of, or to remain in effect only so long as there shall be outstanding, Subordinated Debt Securities of one or more specified series, or one or more tranches thereof, or to surrender any right or power conferred upon the Company by the Indenture; or
- (c) to change or eliminate any provision of the Indenture or to add any new provision to the Indenture, provided that if such change, elimination or addition adversely affects the interests of the holders of the Subordinated Debt Securities of any series or tranche in any material respect, such change, elimination or addition will become effective with respect to such series or tranche only when no Subordinated Debt Security of such series or tranche remains outstanding; or
- (d) to provide collateral security for the Subordinated Debt Securities; or
- (e) to establish the form or terms of the Subordinated Debt Securities of any series or tranche as permitted by the Indenture; or
- (f) to provide for the authentication and delivery of bearer securities and coupons appertaining thereto representing interest, if any, thereon and for the procedures for the registration, exchange and replacement thereof and for the giving of notice to, and the solicitation of the vote or consent of, the holders thereof, and for any and all other matters incidental thereto; or
- (g) to evidence and provide for the acceptance of appointment by a successor trustee with respect to the Subordinated Debt Securities of one or more series; or
- (h) to provide for the procedures required to permit the utilization of a non-certificated system of registration for all, or any series or tranche of, the Subordinated Debt Securities; or
- (i) to change any place or places where (1) the principal of and premium, if any, and interest, if any, on all or any series of Subordinated Debt Securities, or any tranche thereof, will be payable, (2) all or any series of Subordinated Debt Securities, or any tranche





thereof, may be surrendered for registration of transfer, (3) all or any series of Subordinated Debt Securities, or any tranche thereof, may be surrendered for exchange and (4) notices and demands to or upon the Company in respect of all or any series of Subordinated Debt Securities, or any tranche thereof, and the Indenture may be served; or

(j) to cure any ambiguity, to correct or supplement any provision therein which may be defective or inconsistent with any other provision therein, or to make any other changes to the provisions thereof or to add other provisions with respect to matters and questions arising under the Indenture, so long as such other changes or additions do not adversely affect the interests of the holders of Subordinated Debt Securities of any series or tranche in any material respect.

Without limiting the generality of the foregoing, if the Trust Indenture Act is amended after the date of the Original Indenture in such a way as to require changes to the Indenture or the incorporation therein of additional provisions or so as to permit changes to, or the elimination of, provisions which, at the date of the Original Indenture or at any time thereafter, were required by the Trust Indenture Act to be contained in the Indenture, the Indenture will be deemed to have been amended so as to conform to such amendment or to effect such changes or elimination, and the Company and the Debt Trustee may, without the consent of any holders of Subordinated Debt Securities, enter into one or more supplemental indentures to evidence or effect such amendment.

Except as provided above, the consent of the holders of a majority in aggregate principal amount of the Subordinated Debt Securities of all series then outstanding, considered as one class, is required for the purpose of adding any provisions to, or changing in any manner, or eliminating any of the provisions of, the Indenture pursuant to one or more supplemental indentures; provided, however, that if less than all of the series of Subordinated Debt Securities outstanding are directly affected by a proposed supplemental indenture, then the consent only of the holders of a majority in aggregate principal amount of outstanding Subordinated Debt Securities of all series so directly affected, considered as one class, will be required; and provided, further, that if the Subordinated Debt Securities of any series have been issued in more than one tranche and if the proposed supplemental indenture directly affects the rights of the holders of one or more, but less than all, such tranches, then the consent only of the holders of a majority in aggregate principal amount of the outstanding Subordinated Debt Securities of all tranches so directly affected, considered as one class, will be required; and provided, further, that no such amendment or modification may (a) change the Stated Maturity of the principal of, or any installment of principal of or interest on, any Subordinated Debt Security other than pursuant to the terms thereof, or reduce the principal amount thereof or the rate of interest thereon (or the amount of any installment of interest thereon) or change the method of calculating such rate or reduce any premium payable upon the redemption thereof, or reduce the amount of the principal of any Discount Security that would be due and payable upon a declaration of acceleration of Maturity or change the coin or currency (or other property) in which any Subordinated Debt Security or any premium or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity of any Subordinated Debt Security (or, in the case of redemption, on or after the redemption date) without, in any such case, the consent of the holder of such Subordinated Debt Security, (b) reduce the percentage in principal amount of the outstanding Subordinated Debt Securities of any series, or any tranche thereof, the consent of the holders of which is required for any such supplemental indenture, or the consent of the holders of which is required for any waiver of compliance with any provision of the Indenture or of any default thereunder and its consequences, or reduce the requirements for quorum or voting, without, in any such case, the consent of the holder of each outstanding Subordinated Debt Security of such series or tranche, or (c) modify certain of the provisions of the Indenture relating to supplemental indentures, waivers of certain covenants and waivers of past defaults with respect to the Subordinated Debt Securities of any series, or any tranche thereof, without the consent of the holder of each outstanding Subordinated Debt Security of such series or tranche.

A supplemental indenture which changes or eliminates any covenant or other provision of the Indenture which has expressly been included solely for the benefit of the holders of, or which is to remain in effect only so long as there shall be outstanding, Subordinated Debt Securities of one or more specified series, or one or more tranches thereof, or modifies the rights of the holders of Subordinated Debt Securities of such series or tranches with respect to such covenant or other provision, will be deemed

not to affect the rights under the Indenture of the holders of the Subordinated Debt Securities of any other series or tranche.

Notwithstanding the foregoing, so long as the Subordinated Debt Securities of any series are held by a Washington Water Power Trust, the Debt Trustee may not consent to a supplemental indenture contemplated in

the second preceding paragraph without the prior consent, obtained as provided in the Declaration establishing such trust of the holders of a majority in aggregate liquidation amount of all Securities issued by such trust, or, in the case of changes described in clauses (a), (b) and (c) above, of each holder of outstanding Securities.

#### INDENTURE EVENTS OF DEFAULT

The Indenture provides that any one or more of the following described events with respect to a series of Subordinated Debt Securities that has occurred and is continuing constitutes an "Indenture Event of Default" with respect to such series of Subordinated Debt Securities:

(i) failure for 60 days to pay any interest on such series of Subordinated Debt Securities, when due and payable; provided, however, that no such failure shall constitute an Indenture Event of Default if the Company shall have made a valid extension of the interest payment period with respect to such series of Subordinated Debt Securities if so provided with respect to such series; or

(ii) failure to pay any principal or premium, if any, on such series of Subordinated Debt Securities within 3 days after its maturity; provided, however, that no such failure shall constitute an Indenture Event of Default if the Company shall have made a valid extension of the maturity of such series of Subordinated Debt Securities, if so provided with respect to such series; or

(iii) failure to perform, or breach of, any covenant or warranty of the Company contained in the Indenture for 90 days after written notice to the Company from the Debt Trustee or to the Company and the Debt Trustee by the holders of at least 33% in principal amount of such series of outstanding Subordinated Debt Securities as provided in the Indenture; or

(iv) certain events in bankruptcy, insolvency or reorganization of the Company; or

(v) in the event Subordinated Debt Securities are issued to a Washington Water Power Trust or a trustee of such trust in connection with the issuance of Trust Securities by such Washington Water Power Trust and so long as such Trust Securities remain outstanding, the voluntary or involuntary dissolution, winding-up or termination of such Washington Water Power Trust, except in connection with the distribution of Subordinated Debt Securities in liquidation of such Washington Water Power Trust, the redemption of all of the Trust Securities of such Washington Water Power Trust, or certain mergers, consolidations or amalgamations, each as permitted by the Declaration of such Washington Water Power Trust.

#### REMEDIES

If an Indenture Event of Default applicable to the Subordinated Debt Securities of such series occurs and is continuing, then either the Debt Trustee or the holders of not less than 33% in aggregate principal amount of the outstanding Subordinated Debt Securities of such series may declare the principal of all of the Subordinated Debt Securities of such series and interest accrued thereon to be due and payable immediately (subject to the subordination provisions of the Indenture); provided, however, that if an Indenture Event of Default occurs and is continuing with respect to more than one series of Subordinated Debt Securities, the Debt Trustee or the holders of not less than 33% in aggregate principal amount of the outstanding Subordinated Debt Securities of all such series, considered as one class, may make such declaration of acceleration and not the holders of the Subordinated Debt Securities of any one such series.

At any time after such a declaration of acceleration with respect to the Subordinated Debt Securities of any series has been made, but before a judgment or decree for payment of the money due has been obtained, the Indenture Event or Events of Default giving rise to such declaration of acceleration will, without further act, be deemed to have been cured, and such declaration and its consequences will, without further act, be deemed to have been rescinded and annulled, if

(a) the Company has paid or deposited with the Debt Trustee a sum sufficient to pay

(1) all overdue interest, if any, on all Subordinated Debt Securities of such series;

(2) the principal of and premium, if any, on any Subordinated Debt Securities of such series which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in such Subordinated Debt Securities;

(3) interest upon overdue interest at the rate or rates prescribed therefor in such Subordinated Debt Securities, to the extent that payment of such interest is lawful; and

(4) all amounts due to the Debt Trustee under the Indenture; and

(b) any other Indenture Event or Events of Default with respect to Subordinated Debt Securities of such series, other than the non-payment of the principal of the Subordinated Debt Securities of such series which has become due solely by such declaration of acceleration, have been cured or waived as provided in the Indenture.

If an Indenture Event of Default with respect to the Subordinated Debt Securities of any series occurs and is continuing, the holders of a majority in principal amount of the outstanding Subordinated Debt Securities of such series will have the right to direct the time, method and place of conducting any proceedings for any remedy available to the Debt Trustee or exercising any trust or power conferred on the Debt Trustee; provided, however, that if an Indenture Event of Default occurs and is continuing with respect to more than one series of Subordinated Debt Securities, the holders of a majority in aggregate principal amount of the outstanding Subordinated Debt Securities of all such series, considered as one class, will have the right to make such direction, and not the holders of the Subordinated Debt Securities of any one of such series; and provided, further, that (a) such direction does not conflict with any rule of law or with the Indenture, and could not involve the Debt Trustee in personal liability in circumstances where indemnity would not, in the Debt Trustee's sole discretion, be adequate and (b) the Debt Trustee may take any other action deemed proper by the Debt Trustee which is not inconsistent with such direction.

The Indenture provides that no holder of any Subordinated Debt Security will have any right to institute any proceeding, judicial or otherwise, with respect to the Indenture or for the appointment of a receiver or for any other remedy thereunder unless (a) such holder has previously given to the Debt Trustee written notice of a continuing Indenture Event of Default with respect to the Subordinated Debt Securities of any one or more series; (b) the holders of a majority in aggregate principal amount of the outstanding Subordinated Debt Securities of all series in respect of which such Indenture Event of Default has occurred, considered as one class have made written request to the Debt Trustee to institute proceedings in respect of such Indenture Event of Default and have offered the Debt Trustee reasonable indemnity against costs and liabilities to be incurred in complying with such request; and (c) for 60 days after receipt of such notice, the Debt Trustee has failed to institute any such proceeding and no direction inconsistent with such request has been given to the Debt Trustee during such sixty day period by the holders of a majority in aggregate principal amount of Subordinated Debt Securities then outstanding. Furthermore, no holder will be entitled to institute any such action if and to the extent that such action would disturb or prejudice the rights of other holders. Notwithstanding that the right of a holder to institute a proceeding with respect to the Indenture is subject to certain conditions precedent, each holder of a Subordinated Debt Security has the right, which is absolute and unconditional, to receive payment of the principal of and premium, if any, and interest, if any, on such Subordinated Debt Security when due and to institute suit for the enforcement of any such payment, and such rights may not be impaired without the consent of such holder. The Indenture provides that the Debt Trustee give the holders notice of any default under the Indenture to the extent required by the Trust Indenture Act, unless such default shall have been cured or waived, except that no such notice to holders of a default of the character described in clause (iii) under "-- Indenture Events of Default" may be given until at least 75 days after the occurrence thereof. For purposes of the preceding sentence, the term "default" means any event which is, or after notice or lapse of time, or both, would become, an Indenture Event of Default. The Trust Indenture Act currently permits the Debt Trustee to withhold notices of default (except for certain payment defaults) if the Debt Trustee in good faith determines the withholding of such notice to be in the interests of the holders.

If the Subordinated Debt Securities of any series shall be held by the Institutional Trustee of a Washington Water Power Trust and if such

Institutional Trustee, as such holder, shall have failed to exercise any of the rights and remedies available under the Indenture to the holders of such Subordinated Debt Securities, the holders of the Securities of such trust shall have and may exercise all such rights and remedies, to the same extent as if such holders of such Securities held a principal amount of Subordinated Debt Securities of such series equal to the liquidation amount of such Securities, without first proceeding against such trustee or trust.

Notwithstanding the foregoing, in the case of an Indenture Event of Default described above in clause (i) or (ii) under "-- Indenture Events of Default," each holder of such Securities shall have and may exercise all rights available to the Institutional Trustee as the holder of such Subordinated Debt Securities. If action shall have been taken by both the holder of such Subordinated Debt Securities and the holders of such Securities to exercise such rights, the action taken by the holders of the Securities shall control.

The Company is required to file annually with the Debt Trustee a certificate as to whether or not the Company is in compliance with all the conditions and covenants applicable to it under the Indenture.

#### CERTAIN COVENANTS OF THE COMPANY

If at any time (a) there shall have occurred and be continuing a payment default with respect to Subordinated Debt Securities of a series, (b) the Company shall have given notice of its election of an Extension Period as provided in the Indenture with respect to the Subordinated Debt Securities of such series, and any such period, as so extended, shall be continuing, or (c) the Company shall be in default with respect to its payment or other obligations under the Securities Guarantee relating to the Securities of the Washington Water Power Trust to which Subordinated Debt Securities of such series have been issued, then the Company shall not (a) declare or pay any dividend on, or make any distribution or liquidation payment with respect to, or redeem or purchase any of its capital stock, (b) make any payment of principal, premium, if any, or interest, if any, on or repay, repurchase or redeem any debt securities (including other Subordinated Debt Securities) issued by the Company that rank pari passu with or junior in right of payment to the Subordinated Debt Securities or (c) make any guarantee payments with respect to the foregoing (other than pursuant to the Securities Guarantees); provided, however, that nothing herein shall be deemed to prohibit (i) dividends or distributions payable in shares of the Company's capital stock, (ii) reclassification of the Company's capital stock or exchange or conversion of shares of one class or series of the Company's capital stock into shares of another class or series of the Company's capital stock, (iii) purchases or other acquisitions of fractional interests in shares of the Company's capital stock and (iv) redemption, purchases or other acquisitions of shares of the Company's capital stock in connection with the satisfaction by the Company of its obligations under provisions of the Company's Restated Articles of Incorporation, as amended, under any direct purchase, dividend reinvestment, customer purchase or employee benefit plans or under any contract or security requiring the Company to purchase shares of its capital stock.

If Subordinated Debt Securities of any series are issued and delivered to a Washington Water Power Trust (or a trustee thereof) in connection with the issuance by such trust of Trust Securities, so long as such Trust Securities remain outstanding the Company will (a) maintain 100% direct ownership of the Common Securities of such Washington Water Power Trust by the Company or any affiliate thereof, except as otherwise provided below under "-- Consolidation, Merger, Sale of Assets and Other Transactions," and (b) use all reasonable efforts to cause such Washington Water Power Trust (i) to maintain its existence as a business trust, except in connection with a distribution of Subordinated Debt Securities, with the redemption, purchase or other acquisition and retirement of all Trust Securities of such trust or with certain mergers, consolidations or other business combinations, in each case as permitted by the Declaration establishing such Washington Water Power Trust, and (ii) to otherwise continue not to be treated as an association taxable as a corporation for United States federal income tax purposes.

#### CONSOLIDATION, MERGER, SALE OF ASSETS AND OTHER TRANSACTIONS

The Indenture provides that the Company shall not consolidate with or merge into any other corporation, or convey or otherwise transfer, or lease, all of its properties, as or substantially as an entirety, to any person, unless the corporation formed by such consolidation or into which the Company is merged or the person which acquires by conveyance or other transfer, or which leases (for a term extending beyond the last stated maturity of the Subordinated Debt Securities then outstanding), all of the properties of the Company, as or substantially as an entirety, shall be a corporation organized and existing under the laws of the United States, any

State or Territory thereof or the District of Columbia or under the laws of Canada or any Province thereof and shall expressly assume the due and punctual payment of the principal of and premium, if any, and interest, if any, on all the Subordinated Debt Securities then outstanding and the performance and observance of every covenant and condition of the Indenture to be performed or observed by the Company. In the case of the conveyance or other transfer of all of the properties of the Company, as or substantially as an entirety, to any person as contemplated above, the Company would be released and discharged from all obligations under the Indenture and on all Subordinated Debt Securities then outstanding unless the Company elects to waive such release and discharge. Upon any such



consolidation or merger or any such conveyance or other transfer of properties of the Company, the successor or transferee shall succeed to, and be substituted for, and may exercise every power and right of, the Company under the Indenture. For purposes of the Indenture, the conveyance or other transfer by the Company of all of its facilities (a) for the generation of electric energy, (b) for the transmission of electric energy or (c) for the distribution of electric energy and/or natural gas, in each case considered alone, or all of its facilities described in clauses (a) and (b), considered together, or all of its facilities described in clauses (b) and (c), considered together, shall in no event be deemed to constitute a conveyance or other transfer of all the properties of the Company, as or substantially as an entirety, unless, immediately following such conveyance or other transfer, the Company shall own no properties in the other such categories of property not so conveyed or otherwise transferred.

If the Company shall convey or otherwise transfer any part of its properties which does not constitute the entirety, or substantially the entirety, thereof to another corporation meeting the requirements set forth in the preceding paragraph, and if (a) such transferee shall expressly assume the due and punctual payment of the principal of and premium, if any, and interest, if any, on all Subordinated Debt Securities then outstanding and the performance and observance of every covenant and condition of the Indenture to be performed or observed by the Company, (b) there shall be delivered to the Trustee an independent expert's certificate (i) describing the property so conveyed or transferred and identifying the same as facilities for the generation, transmission or distribution of electric energy or for the storage, transportation or distribution of natural gas and (ii) stating that the aggregate principal amount of the Subordinated Debt Securities then outstanding does not exceed 70% of the fair value of such property, and (c) the Company shall assign or otherwise transfer all Common Securities then outstanding to such transferee, then the Company shall be released and discharged from all obligations and covenants under the Indenture and on all Subordinated Debt Securities then outstanding unless the Company elects to waive such release and discharge. In such event, the transferee corporation shall succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indenture.

#### SATISFACTION AND DISCHARGE

Any Subordinated Debt Securities, or any portion of the principal amount thereof, will be deemed to have been paid for purposes of the Indenture and, at the Company's election, the entire indebtedness of the Company in respect thereof will be deemed to have been satisfied and discharged, if there shall have been irrevocably deposited with the Debt Trustee or any Paying Agent (other than the Company), in trust: (a) money in an amount which will be sufficient, or (b) in the case of a deposit made prior to the maturity of the Subordinated Debt Securities, Eligible Obligations, which do not contain provisions permitting the redemption or other prepayment thereof at the option of the issuer thereof, the principal of and the interest on which when due, without any regard to reinvestment thereof, will provide moneys which, together with the money, if any, deposited with or held by the Debt Trustee or such Paying Agent, will be sufficient, or (c) a combination of (a) and (b) which will be sufficient, to pay when due the principal of and premium, if any, and interest, if any, due and to become due on such Subordinated Debt Securities. For this purpose, Eligible Obligations include direct obligations of, or obligations unconditionally guaranteed by, the United States entitled to the benefit of the full faith and credit thereof and certificates, depositary receipts or other instruments which evidence a direct ownership interest in such obligations or in any specific interest or principal payments due in respect thereof and such other obligations or instruments as shall be specified in an accompanying Prospectus Supplement.

The Indenture will be deemed to have been satisfied and discharged when no Subordinated Debt Securities remain outstanding thereunder and the Company has paid or caused to be paid all other sums payable by the Company under the Indenture.

#### SUBORDINATION

In the Indenture, the Company has covenanted and agreed that any Subordinated Debt Securities issued thereunder will be subordinate and junior in right of payment to all Senior Indebtedness to the extent provided in the Indenture. Upon any payment or distribution of assets to creditors upon any liquidation, dissolution, winding-up, reorganization,

assignment for the benefit of creditors, marshaling of assets or any bankruptcy, insolvency, debt restructuring or similar proceedings in connection with any insolvency or bankruptcy proceeding of the Company, the holders of Senior Indebtedness will first be entitled to receive payment in full of principal of and premium, if any, and interest, if any, on such Senior Indebtedness before the holders of Subordinated Debt Securities will be entitled to receive any payment in respect of the principal of, premium, if any, or interest, if any, on the Subordinated Debt Securities; and if,

notwithstanding the foregoing, payment in respect of the Subordinated Debt Securities is received by the Debt Trustee or a holder of a Subordinated Debt Security before all Senior Indebtedness is paid in full, such payment in respect of the Subordinated Debt Securities is to be paid over to the holders of Senior Indebtedness or their representatives.

In the event of the acceleration of the maturity of any Subordinated Debt Securities, the holders of all Senior Indebtedness outstanding at the time of such acceleration will be entitled to receive payment in full of all amounts due thereon (including any amounts due upon acceleration) before the holders of Subordinated Debt Securities will be entitled to receive any payment upon the principal of, premium, if any, or interest, if any, on the Subordinated Debt Securities. No payments on account of principal, premium, if any, or interest, if any, in respect of the Subordinated Debt Securities may be made if there shall have occurred and be continuing a default in any payment with respect to Senior Indebtedness, or an event of default with respect to any Senior Indebtedness resulting in the acceleration of the maturity thereof remaining uncured.

The term Senior Indebtedness is defined in the Indenture to mean, with respect to any person, (a) indebtedness (including premium, if any, and interest, if any, thereon) for money borrowed or for the deferred purchase price of property or services; (b) all other indebtedness (including premium, if any, and interest, if any, thereon) evidenced by bonds, debentures, notes or other similar instruments (other than Subordinated Debt Securities); (c) all obligations of such person under lease agreements designating such person as lessee, irrespective of the treatment of any such lease agreement for accounting, tax or other purposes; (d) all obligations for reimbursement (including premium, if any, and interest, if any, thereon) in respect of any letter of credit, banker's acceptance, security purchase facility or similar credit transaction; (e) all obligations of the character referred to in clauses (a) through (d) above of other persons for the payment of which such person is responsible or liable as obligor, guarantor or otherwise; and (f) all obligations of the character referred to in clauses (a) through (d) above of other persons secured by any lien on any property or asset of such person (whether or not such obligation is assumed by such person); provided, however, that Senior Indebtedness shall not include (x) any such indebtedness that is by its terms subordinated to or pari passu with the Subordinated Debt Securities or (y) any indebtedness between or among such person and its affiliates, including all other debt securities and guarantees in respect of such debt securities, issued to (i) any Washington Water Power Trust or (ii) any other trust, or a trustee of such trust, partnership or other entity which is a financing vehicle of such person in connection with the issuance by such financing vehicle of preferred or capital securities.

The Indenture places no limitation on the amount of additional Senior Indebtedness that may be incurred by the Company. The Company expects from time to time to incur additional indebtedness constituting Senior Indebtedness.

#### INFORMATION CONCERNING THE DEBT TRUSTEE

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

#### GOVERNING LAW

The Indenture and the Subordinated Debt Securities will be governed by and construed in accordance with the laws of the State of New York.

Each Washington Water Power Trust may issue, from time to time, only one series of Securities having terms described in the Prospectus Supplement relating thereto. The Declaration of each Washington Water Power Trust authorizes the Regular Trustees of such Washington Water Power Trust to issue on behalf of such Washington Water Power Trust one series of Securities. The Declaration will be qualified as an indenture under the

Trust Indenture Act. The Securities will have such terms, including distributions, redemption, voting, liquidation rights and such other preferred, deferred or other special rights or such restrictions as shall be set forth in the Declaration or made part of the Declaration by the Trust Indenture Act and which will be correlative to the terms of the Subordinated Debt Securities held by the Washington Water Power Trust and described in the Prospectus Supplement relating thereto. Reference is made to the Prospectus Supplement relating to the Securities of the Washington Water Power Trust for specific terms, including (i) the distinctive designation of such Securities; (ii) the number of Securities issued by such Washington Water Power Trust; (iii) the annual distribution rate (or method of determining such rate) for Securities issued by such Washington Water Power Trust and the date or dates upon which such distributions shall be payable; provided, however, that distributions on such Securities shall be payable on a \_\_\_\_\_ basis to holders of such Securities as of a record date in each Scheduled Interest Period during which such Securities are outstanding; (iv) whether distributions on Securities issued by such Washington Water Power Trust shall be cumulative, and, in the case of Securities having such cumulative distribution rights, the date or dates or method of determining the date or dates from which distributions on Securities issued by such Washington Water Power Trust shall be cumulative; (v) the amount or amounts which shall be paid out of the assets of such Washington Water Power Trust to the holders of Securities of such Washington Water Power Trust upon voluntary or involuntary dissolution, winding-up or termination of such Washington Water Power Trust; (vi) the obligation, if any, of such Washington Water Power Trust to purchase or redeem Securities issued by such Washington Water Power Trust and the price or prices at which, the period or periods within which, and the terms and conditions upon which, Securities issued by such Washington Water Power Trust shall be purchased or redeemed, in whole or in part, pursuant to such obligation; (vii) the voting rights, if any, of Securities issued by such Washington Water Power Trust in addition to those required by law, including the number of votes per Security and any requirement for the approval by the holders of Securities, or of Securities issued by one or more Washington Water Power Trusts, or of both, as a condition to specified action or amendments to the Declaration of such Washington Water Power Trust; (viii) the enforcement rights, if any, of holders of Securities with respect to the applicable series of Subordinated Debt Securities; (ix) the terms and conditions, if any, upon which the Subordinated Debt Securities may be distributed to holders of Securities; (x) if applicable, any securities exchange upon which the Securities shall be listed; and (xi) any other relevant rights, preferences, privileges, limitations or restrictions of Securities issued by such Washington Water Power Trust not inconsistent with the Declaration of such Washington Water Power Trust or with applicable law. All Securities offered hereby will be guaranteed by the Company to the extent set forth below under "Description of the Securities Guarantees." Certain United States federal income tax considerations applicable to any offering of Securities will be described in the Prospectus Supplement relating thereto.

In connection with the issuance of Securities, each Washington Water Power Trust will issue one series of Common Securities. The Declaration of each Washington Water Power Trust authorizes the Regular Trustees of such trust to issue on behalf of such Washington Water Power Trust one series of Common Securities having such terms including distributions, redemption, voting, liquidation rights or such restrictions as shall be set forth therein. The terms of the Common Securities issued by a Washington Water Power Trust will be substantially identical to the terms of the Securities issued by such trust and the Common Securities will rank pari passu, and payments will be made thereon pro rata, with the Securities except that, upon an event of default under the Declaration, the rights of the holders of the Common Securities to payment in respect of distributions and payments upon liquidation, redemption and otherwise will be subordinated to the rights of the holders of the Securities. Except in certain limited circumstances, the Common Securities will also carry the right to vote to appoint, remove or replace any of the Washington Water Power Trustees of a Washington Water Power Trust. All of the Common Securities of each Washington Water Power Trust will be directly or indirectly owned by the Company.

#### DESCRIPTION OF THE SECURITIES GUARANTEES

Set forth below is a summary of information concerning the Securities Guarantees which will be executed and delivered by the Company for the benefit of the holders from time to time of Securities. Each Securities Guarantee will be qualified as an indenture under the Trust Indenture Act. Wilmington Trust Company will act as indenture trustee under each Securities Guarantee for purposes of the Trust Indenture Act (the "Guarantee Trustee"). The terms of each Securities Guarantee will be those set forth in such Securities Guarantee and those made part of such Securities Guarantee by the Trust Indenture Act. The summary of the material terms of the Securities Guarantees does not purport to be complete and is subject in all respects to the provisions of, and is qualified in its entirety by reference to, the form of Securities Guarantee, which is filed as an exhibit to the Registration Statement of which this Prospectus

forms a part, and the Trust Indenture Act. Each Securities Guarantee will be held by the Guarantee Trustee for the benefit of the holders of the Securities of the applicable Washington Water Power Trust.

#### GENERAL

Pursuant to each Securities Guarantee, the Company will irrevocably and unconditionally agree, to the extent set forth therein, to pay in full to the holders of the Securities issued by a Washington Water Power Trust, the Guarantee Payments (as defined herein) (except to the extent paid by such Washington Water Power Trust), as and when due, regardless of any defense, right of set-off or counterclaim which such Washington Water Power Trust may have or assert. The following payments with respect to Securities issued by a Washington Water Power Trust to the extent not paid by such Washington Water Power Trust (the "Guarantee Payments"), will be subject to the Securities Guarantee thereon (without duplication): (i) any accrued and unpaid distributions which are required to be paid on such Securities, to the extent such Washington Water Power Trust shall have funds available therefor; (ii) the redemption price, including all accrued and unpaid distributions (the "Redemption Price"), with respect to any Securities called for redemption by such Washington Water Power Trust, to the extent such Washington Water Power Trust shall have funds available therefor, and (iii) upon a voluntary or involuntary dissolution, winding-up or termination of such Washington Water Power Trust (other than in connection with the distribution of Subordinated Debt Securities to the holders of Securities or the redemption of all of the Securities), the lesser of (a) the aggregate of the liquidation amount and all accrued and unpaid distributions on such Securities to the date of payment and (b) the amount of assets of such Washington Water Power Trust remaining available for distribution to holders of such Securities in liquidation of such Washington Water Power Trust. The redemption price and liquidation amount will be fixed at the time the Securities are issued. The Company's obligation to make a Guarantee Payment may be satisfied by direct payment of the required amounts by the Company to the holders of Securities or by causing the applicable Washington Water Power Trust to pay such amounts to such holders.

If the Company does not make interest payments on the Subordinated Debt Securities purchased by a Washington Water Power Trust, such Washington Water Power Trust will not pay distributions on the Securities issued by such Washington Water Power Trust and will not have funds available therefor. See "Description of the Subordinated Debt Securities -- Certain Covenants of the Company" herein. The Securities Guarantee, when taken together with the Company's obligations under the Subordinated Debt Securities, the Indenture, the Declaration and the Expense Agreement, will effectively provide a full and unconditional guarantee, on a subordinated basis, by the Company of payments due on the Securities.

The Company has also agreed separately to irrevocably and unconditionally guarantee the obligations of the Washington Water Power Trusts with respect to the Common Securities to the same extent as the Securities Guarantees, except that upon an Indenture Event of Default, holders of Securities shall have priority over holders of Common Securities with respect to distributions and payments on liquidation, redemption or otherwise.

#### MODIFICATION OF THE SECURITIES GUARANTEES; ASSIGNMENT

Except with respect to any changes which do not materially adversely affect the rights of holders of Securities (in which case no vote will be required), each Securities Guarantee may be amended only with the prior approval of the holders of a majority in liquidation amount of the outstanding Securities issued by the applicable Washington Water Power Trust. The manner of obtaining any such approval of holders of such Securities will be as set forth in an accompanying Prospectus Supplement

under "Description of the Securities -- Voting Rights." All guarantees and agreements contained in a Securities Guarantee shall bind the successors, assigns, receivers, trustees and representatives of the Company and shall inure to the benefit of the holders of the Securities of the applicable Washington Water Power Trust then outstanding.

#### TERMINATION

Each Securities Guarantee will terminate as to the Securities issued by the applicable Washington Water Power Trust (a) upon full payment of the Redemption Price of all Securities of such Washington Water Power Trust, (b) upon distribution of the Subordinated Debt Securities held by such Washington Water Power Trust to the holders of the Securities of such Washington Water Power Trust or (c) upon full payment of the amounts payable in accordance with the Declaration of such Washington Water Power Trust upon liquidation of such Washington Water Power Trust. Each Securities Guarantee will continue to be effective or will be reinstated,



as the case may be, if at any time any holder of Securities issued by the applicable Washington Water Power Trust must restore payment of any sums paid under such Securities or such Securities Guarantee.

#### EVENTS OF DEFAULT

An event of default under a Securities Guarantee will occur upon the failure of the Company to perform any of its payment or other obligations thereunder.

The holders of a majority in liquidation amount of the Securities relating to such Securities Guarantee have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Guarantee Trustee in respect of the Securities Guarantee or to direct the exercise of any trust or power conferred upon the Guarantee Trustee under such Securities Guarantee. If the Guarantee Trustee fails to enforce such Securities Guarantee, any holder of Securities relating to such Securities Guarantee may institute a legal proceeding directly against the Company to enforce the Guarantee Trustee's rights under such Securities Guarantee, without first instituting a legal proceeding against the relevant Washington Water Power Trust, the Guarantee Trustee or any other person or entity. Notwithstanding the foregoing, if the Company has failed to make a guarantee payment, a holder of Securities may directly institute a proceeding against the Company for enforcement of the Securities Guarantee for such payment. The Company waives any right or remedy to require that any action be brought first against such Washington Water Power Trust or any other person or entity before proceeding directly against the Company.

The Company, as guarantor, is required to file annually with the Guarantee Trustee a certificate as to whether or not the Company is in compliance with all the conditions and covenants applicable to it under the Securities Guarantees.

#### STATUS OF THE SECURITIES GUARANTEES

Each Securities Guarantee will constitute an unsecured obligation of the Company and will rank (i) subordinate and junior in right of payment to all other liabilities of the Company and (ii) pari passu with any other Securities Guarantee and any other guarantee now or hereafter entered into by the Company with respect to any preferred or capital securities issued by any trust, partnership or other entity which is a financing vehicle of the Company, except that, where an Indenture Event of Default occurs and is continuing, the rights of holders of the Common Securities to payment in respect of distributions and payments upon liquidation, redemption and otherwise are subordinated to the rights to payment of holders of Securities. None of the Securities Guarantees places a limitation on the amount of additional Senior Indebtedness that may be incurred by the Company. The Company expects from time to time to incur additional indebtedness constituting Senior Indebtedness. The terms of the Securities provide that each holder of Securities issued by the applicable Washington Water Power Trust by acceptance thereof agrees to the subordination provisions and other terms of a Securities Guarantee relating thereto.

Each Securities Guarantee will constitute a guarantee of payment and not of collection (that is, the guaranteed party may institute a legal proceeding directly against the Company to enforce its rights under a Securities Guarantee without instituting a legal proceeding against any other person or entity).

#### INFORMATION CONCERNING THE GUARANTEE TRUSTEE

The Guarantee Trustee, other than prior to the occurrence and after the curing of a default with respect to a Securities Guarantee, undertakes to perform only such duties as are specifically set forth in such Securities Guarantee and, after default, shall exercise the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Notwithstanding such provisions, the Guarantee Trustee is under no obligation to exercise any of the powers vested in it by a Securities Guarantee at the request of any holder of Securities, unless offered reasonable indemnity against the costs, expenses and liabilities which might be incurred thereby.

#### GOVERNING LAW

The Securities Guarantees will be governed by and construed in accordance with the laws of the State of New York.

## EXPENSE AGREEMENTS

Pursuant to the Expense Agreements entered into by the Company under the Declarations (the "Expense Agreements"), the Company will irrevocably and unconditionally guarantee to each person or entity to whom each Washington Water Power Trust becomes indebted or liable, the full payment of any costs, expenses or liabilities of such Washington Water Power Trust, other than obligations of such Washington Water Power Trust to pay to the holders of the related Securities or other similar interests in such Washington Water Power Trust the amounts due such holders pursuant to the terms of such Securities or such other similar interests, as the case may be.

### EFFECT OF OBLIGATIONS UNDER THE SUBORDINATED DEBT SECURITIES AND THE GUARANTEE

As set forth in the Declaration, the sole purpose of each of the Washington Water Power Trusts is to issue the Trust Securities evidencing undivided beneficial interests in the assets of each of the Washington Water Power Trusts and to invest the proceeds from such issuance and sale in the Subordinated Debt Securities.

As long as payments of interest and other payments are made when due on the Subordinated Debt Securities, such payments will be sufficient to cover distributions and payments due on the Trust Securities because of the following factors: (i) the aggregate principal amount of Subordinated Debt Securities will be equal to the aggregate stated liquidation amount of the Trust Securities; (ii) the interest rate and the interest and other payment dates on the Subordinated Debt Securities will be correlative to the distribution rate and distribution and other payment dates for the Securities; (iii) the Company shall pay, and the applicable Washington Water Power Trust shall not be obligated to pay, directly or indirectly, all costs, expenses, debt and obligations of the applicable Washington Water Power Trust (other than to the holders of Trust Securities); and (iv) the Declaration further provides that the Washington Water Power Trustees shall not take or cause or permit the applicable Washington Water Power Trust to, among other things, engage in any activity that is not consistent with the purposes of the applicable Washington Water Power Trust.

Payments of distributions and other payments due on the Securities (each, to the extent funds therefor are available) are guaranteed by the Company as and to the extent set forth above under "Description of the Securities Guarantees." If the Company does not make interest payments on the Subordinated Debt Securities purchased by the applicable Washington Water Power Trust, it is expected that the applicable Washington Water Power Trust will not have sufficient funds to pay distributions on the Securities. The Guarantee does not apply to any payment of distributions unless and until the applicable Washington Water Power Trust has sufficient funds for the payment of such distributions. The Guarantee covers the payment of distributions and other payments on the Securities only if and to the extent that the Company has made a payment of interest or principal on the Subordinated Debt Securities held by the applicable Washington Water Power Trust as its only assets. The Guarantee, when taken together with the Company's obligations under the Subordinated Debt Securities, the Indenture, the Declaration and the Expense Agreement, effectively provides a full and unconditional guarantee, on a subordinated basis, of amounts on the Securities.

If the Company fails to make interest or other payments on the Subordinated Debt Securities when due (taking account of any Extension Period), the Declaration provides a mechanism whereby the holders of the Securities, using the procedures described in "Description of the Securities -- Voting Rights" in an accompanying Prospectus Supplement, may direct the Institutional Trustee to enforce its rights under the Subordinated Debt Securities. If the Institutional Trustee fails to enforce its rights under the Subordinated Debt Securities, a holder of Securities may institute a legal proceeding against the Company to enforce the Institutional Trustee's rights under the Subordinated Debt Securities without first instituting any legal proceeding against the Institutional Trustee or any other person or entity. Notwithstanding the foregoing, if a Declaration Event of Default has occurred and is continuing and such event

is attributable to the failure of the Company to pay interest or principal on the Subordinated Debt Securities on the date such interest or principal is otherwise payable (or in the case of redemption on the redemption date), then a holder of Securities may institute a Direct Action for payment on or after the respective due date specified in the Subordinated Debt Securities. In connection with such Direct Action, the Company will be subrogated to the rights of such holder of Securities under the Declaration to the extent of any payment made by the Company to such holder of Securities in such Direct Action. The Company, under the Guarantee, acknowledges that the Securities Guarantee Trustee shall enforce the Securities Guarantee on behalf of the holders of the Securities. If the

Company fails to make payments under the Securities Guarantee, the Securities Guarantee provides a mechanism whereby the holders of the Securities may direct the Securities Guarantee Trustee to enforce its rights thereunder. Any holder of Securities may institute a legal proceeding directly against the Company to enforce the Securities Guarantee Trustee's rights under the Securities Guarantee without first instituting a legal proceeding against the applicable Washington Water Power Trust, the Securities Guarantee Trustee, or any other person or entity.

The Company and each of the Washington Water Power Trusts believe that the above mechanisms and obligations, taken together, effectively provide a full and unconditional guarantee, on a subordinated basis, by the Company of payments due on the Securities. See "Description of the Securities Guarantees -- General" herein.

#### PLAN OF DISTRIBUTION

The Company may sell the Subordinated Debt Securities and any Washington Water Power Trust may sell Securities in any of, or any combination of, the following ways: (i) directly to purchasers, (ii) through agents, (iii) through underwriters and (iv) through dealers.

Offers to purchase Offered Securities may be solicited directly by the Company and/or any Washington Water Power Trust, as the case may be, or by agents designated by the Company and/or any Washington Water Power Trust, as the case may be, from time to time. Any such agent, who may be deemed to be an underwriter as that term is defined in the Securities Act, involved in the offer or sale of the Offered Securities in respect of which this Prospectus is delivered will be named, and any commissions payable by the Company to such agent will be set forth, in the Prospectus Supplement. Unless otherwise indicated in the Prospectus Supplement, any such agency will be acting on a best efforts basis for the period of its appointment (ordinarily five business days or less). Agents, dealers and underwriters may be customers of, engage in transactions with, or perform services for the Company in the ordinary course of business.

If an underwriter or underwriters are utilized in the sale, the Company will execute an underwriting agreement with such underwriters at the time of sale to them and the names of the underwriters and the terms of the transaction will be set forth in the Prospectus Supplement, which will be used by the underwriters to make releases of the Offered Securities in respect of which this Prospectus is delivered to the public.

If a dealer is utilized in the sale of the Offered Securities in respect of which this Prospectus is delivered, the Company and/or any Washington Water Power Trust, as the case may be, will sell such Offered Securities to the dealer, as principal. The dealer may then resell such Offered 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 transaction will be set forth in the Prospectus Supplement.

Agents, underwriters, and dealers may be entitled under the relevant agreements to indemnification by the Company and/or any Washington Water Power Trust, as the case may be, against certain liabilities, including liabilities under the Securities Act.

The place and time of delivery for the Offered Securities in respect of which this Prospectus is delivered will be set forth in the Prospectus Supplement.

#### LEGAL MATTERS

Certain matters of Delaware law relating to the validity of the Securities, the enforceability of the Declarations and the creation of the Washington Water Power Trusts will be passed upon on behalf of the Washington Water Power Trusts by Richards, Layton & Finger, P.A., Wilmington, Delaware, special Delaware counsel to the Company and the Washington Water Power Trusts. Certain matters of New York law and of federal securities laws relating to the validity of the Subordinated Debt Securities and the Securities Guarantees and certain matters relating thereto will be passed upon for the Company by Reid & Priest LLP, New York,

New York, counsel to the Company. Certain matters of Washington corporate law and of public utility regulatory approvals under Washington, Idaho, Montana, Oregon and California law relating to the authorization of the Subordinated Debt Securities and the Securities Guarantees will be passed upon for the Company by Paine, Hamblen, Coffin, Brooke & Miller LLP, Spokane, Washington, general counsel for the Company. Certain United States federal income taxation matters will be passed upon for the Company and the Washington Water Power Trusts by Reid & Priest LLP, special tax

counsel to the Company and the Washington Water Power Trusts. The validity of the Offered Securities will be passed upon for the underwriters by Sullivan & Cromwell, New York, New York. In giving their opinions Reid & Priest LLP and Sullivan & Cromwell may assume the conclusions of Washington, California, Idaho, Montana and Oregon law set forth in the opinion of Paine, Hamblen, Coffin, Brooke & Miller LLP and the conclusions of Delaware law set forth in the opinion of Richards, Layton & Finger, P.A.

#### EXPERTS

The financial statements and the related financial statement schedules incorporated in this prospectus by reference from the Company's Latest Annual Report on Form 10-K have been audited by Deloitte & Touche LLP, independent auditors, as stated in, and for the periods set forth in, their reports which are incorporated herein by reference and have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

NO DEALER, SALESPERSON OR OTHER INDIVIDUAL HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED OR INCORPORATED IN THIS PROSPECTUS SUPPLEMENT AND PROSPECTUS IN CONNECTION WITH THE OFFER MADE BY THIS PROSPECTUS SUPPLEMENT AND PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY, THE TRUST OR ANY OF THE UNDERWRITERS. NEITHER THE DELIVERY OF THIS PROSPECTUS SUPPLEMENT AND PROSPECTUS NOR ANY SALE MADE HEREUNDER AND THEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY OR THE TRUST SINCE THE DATE HEREOF. THIS PROSPECTUS SUPPLEMENT AND PROSPECTUS DO NOT CONSTITUTE AN OFFER OR SOLICITATION BY ANYONE IN ANY STATE IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO OR TO ANYONE TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION.

SECURITIES

WASHINGTON WATER  
POWER CAPITAL I

\_\_\_ % \_\_\_\_\_ SECURITIES,  
SERIES A

FULLY AND UNCONDITIONALLY  
GUARANTEED BY

THE WASHINGTON WATER  
POWER COMPANY

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PROSPECTUS SUPPLEMENT

PROSPECTUS

MERRILL LYNCH & CO.

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## PART II

### ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Article Seventh of the Company's Restated Articles of Incorporation ("Articles") provides, in part, as follows:

"The Corporation shall, to the full extent permitted by applicable law, as from time to time in effect, indemnify any person made a party to, or otherwise involved in, any proceeding by reason of the fact that he or she is or was a director of the Corporation against judgments, penalties, fines, settlements and reasonable expenses actually incurred by him or her in connection with any such proceeding. The Corporation shall pay any reasonable expenses incurred by a director in connection with any such proceeding in advance of the final determination thereof upon receipt from such director of such undertakings for repayment as may be required by applicable law and a written affirmation by such director that he or she has met the standard of conduct necessary for indemnification, but without any prior determination, which would otherwise be required by Washington law, that such standard of conduct has been met. The Corporation may enter into agreements with each director obligating the Corporation to make such indemnification and advances of expenses as are contemplated herein. Notwithstanding the foregoing, the Corporation shall not make any indemnification or advance which is prohibited by applicable law. The rights to indemnity and advancement of expenses granted herein shall continue as to any person who has ceased to be a director and shall inure to the benefit of the heirs, executors and administrators of such a person."

The Company has entered into indemnification agreements with each director as contemplated in Article Seventh of the Articles.

Reference is made to Revised Code of Washington 23B.08.510, which sets forth the extent to which indemnification is permitted under the laws of the State of Washington.

Article IX of the Company's Bylaws contains an indemnification provision similar to that contained in the Articles and, in addition, provides in part as follows:

"SECTION 2. LIABILITY INSURANCE. The Corporation shall have the power to purchase and maintain insurance on behalf of any person who is, or was a director, officer, employee, or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, other enterprise, or employee benefit plan against any liability asserted against him and incurred by him in any such capacity or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the laws of the State of Washington."

Insurance is maintained on a regular basis (and not specifically in connection with this offering) against liabilities arising on the part of directors and officers out of their performance in such capacities or arising on the part of the Company out of its foregoing indemnification provisions, subject to certain exclusions and to the policy limits.

Section 10.4 of each Declaration provides with respect to the Trust established thereby that:

(a) (i) The Company shall indemnify, to the full extent permitted by law, any Company Indemnified Person (as defined therein) who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such Trust) by reason of the fact that he is or was a Company Indemnified Person against expenses (including attorneys' fees and expenses), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of such Trust, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or



upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the Company Indemnified Person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of such Trust, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

(ii) The Company shall indemnify, to the full extent permitted by law, any Company Indemnified Person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of such Trust to procure a judgment in its favor by reason of the fact that he is or was a Company Indemnified Person against expenses (including attorneys' fees and expenses) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of such Trust and except that no such indemnification shall be made in respect of any claim, issue or matter as to which such Company Indemnified Person shall have been adjudged to be liable to such Trust unless and only to the extent that the Court of Chancery of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such Court of Chancery or such other court shall deem proper.

(iii) To the extent that a Company Indemnified Person shall be successful on the merits or otherwise (including dismissal of an action without prejudice or the settlement of an action without admission of liability) in defense of any action, suit or proceeding referred to in paragraphs (i) and (ii) of Section 10.4(a), or in defense of any claim, issue or matter therein, he shall be indemnified, to the full extent permitted by law, against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

(iv) Any indemnification under paragraphs (i) and (ii) of Section 10.4(a) (unless ordered by a court) shall be made by the Company only as authorized in the specific case upon a determination that indemnification of the Company Indemnified Person is proper in the circumstances because he has met the applicable standard of conduct set forth in paragraphs (i) and (ii). Such determination shall be made (1) by the respective Regular Trustees by a majority vote of a quorum consisting of such Regular Trustees who were not parties to such action, suit or proceeding, (2) if such a quorum is not obtainable, or, even if obtainable, if a quorum of disinterested Regular Trustees so directs, by independent legal counsel in a written opinion, or (3) by the holders of the Common Securities.

(v) Expenses (including attorneys' fees and expenses) incurred by a Company Indemnified Person in defending civil, criminal, administrative or investigative action, suit or proceeding referred to in paragraphs (i) and (ii) of Section 10.4(a) shall be paid by the Company in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf such Company Indemnified Person to repay such amount if it shall ultimately be determined that he is not entitled to indemnification by the Company as authorized in Section 10.4(a). Notwithstanding the foregoing, no advance shall be made by the Company if a determination is reasonably and promptly made (i) by the Regular Trustees by a majority vote of a quorum of disinterested Regular Trustees, (ii) if such a quorum is not obtainable, or, even if obtainable, if a quorum of disinterested Regular Trustees so directs, by independent legal counsel in a written opinion or (iii) the Common Security holder of such Trust, that, based upon the facts known to the Regular Trustees, counsel or the Common Security holder at the time such determination is made, such Company Indemnified Person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of such Trust, or, with respect to any criminal proceeding, that such Company Indemnified Person believed or had reasonable cause to believe his conduct was unlawful. In no event shall any advance be made in instances where the Regular Trustees, independent legal counsel or holders of the Common Securities reasonably determine that such person deliberately breached his duty to such Trust or the holders of the Securities.

(vi) The indemnification and advancement of expenses provided by, or granted pursuant to, the other paragraphs of Section 10.4(a) shall not be

deemed exclusive of any other rights to which those seeking indemnification and advancement of expenses may be entitled under any

agreement, vote of stockholders or disinterested directors of the Company or vote of holders of Securities or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office. All rights to indemnification under Section 10.4(a) shall be deemed to be provided by a contract between the Company and each Company Indemnified Person who serves in such capacity at any time while Section 10.4(a) is in effect. Any repeal or modification of Section 10.4(a) shall not affect any rights or obligations then existing.

(vii) The Company or such Trust may purchase and maintain insurance on behalf of any person who is or was a Company Indemnified Person against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Company would have the power to indemnify him against such liability under the provisions of Section 10.4(a).

(viii) For purposes of Section 10.4(a), references to the "Trust" shall include, in addition to the resulting or surviving entity, any constituent entity (including any constituent of a constituent) absorbed in a merger, consolidation, amalgamation or other business combination so that any person who is or was a director, trustee, officer or employee of such constituent entity, or is or was serving at the request of such constituent entity as a director, trustee, officer, employee or agent of another entity, shall stand in the same position under the provisions of Section 10.4(a) with respect to the resulting or surviving entity as he would have with respect to such constituent entity if its separate existence had continued.

(ix) The indemnification and advancement of expenses provided by, or granted pursuant to, Section 10.4(a) shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a Company Indemnified Person and shall inure to the benefit of the heirs, executors and administrators of such a person.

(b) The Company agrees to indemnify (i) the Institutional Trustee, (ii) the Delaware Trustee, (iii) any Affiliate (as defined in the respective Declaration) of the Institutional Trustee and the Delaware Trustee, and (iv) any officers, directors, shareholders, members, partners, employees, representatives, custodians, nominees or agents of the Institutional Trustee and the Delaware Trustee (each of the Persons in (i) through (iv) being referred to as a "Fiduciary Indemnified Person") for, and to hold each Fiduciary Indemnified Person harmless against, any and all loss, liability, damage, claim or expense including taxes (other than taxes based on the income of such Fiduciary Indemnified Person) incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including the costs and expenses (including reasonable legal fees and expenses) of defending itself against or investigating any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

The obligation to indemnify as set forth in each respective Section 10.4(b) shall survive the satisfaction and discharge of the Declarations.

Section 8.2 of each Securities Guarantee provides with respect to the related Trust that:

The Company agrees to indemnify each Indemnified Person (as defined therein) for, and to hold each Indemnified Person harmless against, any and all loss, liability, damage, claim or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the trust or trusts thereunder, including the costs and expenses (including reasonable legal fees and expenses) of defending itself against, or investigating, any claim or liability in connection with the exercise or performance of any of its powers or duties thereunder.

The obligation to indemnify as set forth in each respective Section 8.2 shall survive the termination of the Securities Guarantees.

Reference is made to the Exhibit Index on p. II-6 hereof.

II-3

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Amendment No. 1 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Spokane and State of Washington on the 7th day of January, 1997.

THE WASHINGTON WATER POWER COMPANY

By /s/ J.E. Eliassen

-----  
J.E. Eliassen

Senior Vice President and Chief Financial Officer

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 DATE INDICATED.

Signature -----	Title -----	Date -----
* ----- Paul A. Redmond (Chairman of the Board and Chief Executive Officer)	Principal Executive Officer and Director	January 7, 1997
/s/ J.E. Eliassen ----- J.E. Eliassen (Senior Vice President and Chief Financial Officer)	Principal Financial and Accounting Officer	January 7, 1997
* ----- David A. Clack	Director	January 7, 1997
* ----- Duane B. Hagadone	Director	January 7, 1997
* ----- Eugene W. Meyer	Director	January 7, 1997
* ----- General H. Norman Schwarzkopf	Director	January 7, 1997
* ----- B. Jean Silver	Director	January 7, 1997
* ----- Larry A. Stanley	Director	January 7, 1997
* ----- R. John Taylor	Director	January 7, 1997

\* By J.E. Eliassen  
-----  
J.E. Eliassen (Attorney-in-Fact)



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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, Washington Water Power Capital I, Washington Water Power Capital II and Washington Water Power Capital III have duly caused the Registration Statement to be signed on their behalf by the undersigned, thereunto duly authorized, in the City of Spokane and State of Washington on the 7th day of January, 1997.

WASHINGTON WATER POWER CAPITAL I  
By: THE WASHINGTON WATER POWER COMPANY, as Sponsor

By: /s/ Lawrence J. Pierce  
-----  
Lawrence J. Pierce  
Vice President and Treasurer

WASHINGTON WATER POWER CAPITAL II  
By: THE WASHINGTON WATER POWER COMPANY, as Sponsor

By: /s/ Lawrence J. Pierce  
-----  
Lawrence J. Pierce  
Vice President and Treasurer

WASHINGTON WATER POWER CAPITAL III  
By: THE WASHINGTON WATER POWER COMPANY, as Sponsor

By: /s/ Lawrence J. Pierce  
-----  
Lawrence J. Pierce  
Vice President and Treasurer

EXHIBIT INDEX

EXHIBIT -----	DESCRIPTION -----
1(a)	Form of Underwriting Agreement for offering of Securities.
4(a)-7	Form of Amended and Restated Declaration of Trust for Washington Water Power Capital I.
4(a)-8	Form of Amended and Restated Declaration of Trust for Washington Water Power Capital II.
4(a)-9	Form of Amended and Restated Declaration of Trust for Washington Water Power Capital III.
4(a)-10	Form of Indenture between The Washington Water Power Company and Wilmington Trust Company, as Trustee.
4(a)-11	Form of Officer's Certificate to be used in connection with the issuance of Subordinated Debt Securities and Securities.
4(a)-12	Form of Security (included in 4(a)-7, 4(a)-8 and 4(a)-9 above).
4(a)-13	Form of Subordinated Debt Security (included in 4(a)-11 above).
4(a)-14	Form of Securities Guarantee issued by The Washington Water Power Company for the benefit of the holders of Securities of Washington Water Power Capital I.
4(a)-15	Form of Securities Guarantee issued by The Washington Water Power Company for the benefit of the holders of Securities of Washington Water Power Capital II.
4(a)-16	Form of Securities Guarantee issued by The Washington Water Power Company for the benefit of the holders of Securities of Washington Water Power Capital III.
4(a)-17	Form of Agreement as to Expenses and Liabilities between The Washington Water Power Company and Washington Water Power Capital I.
4(a)-18	Form of Agreement as to Expenses and Liabilities between The Washington Water Power Company and Washington Water Power Capital II.
4(a)-19	Form of Agreement as to Expenses and Liabilities between The Washington Water Power Company and Washington Water Power Capital III.

Securities

WASHINGTON WATER POWER CAPITAL I  
(a Delaware Trust)

% Securities,

Series A  
(Liquidation Amount of \$ Per Security)

UNDERWRITING AGREEMENT

, 199

MERRILL LYNCH & CO.  
Merrill Lynch, Pierce, Fenner & Smith Incorporated  
as Representative of the several Underwriters  
Merrill Lynch World Headquarters  
North Tower  
World Financial Center  
New York, New York 10281

Ladies and Gentlemen:

Washington Water Power Capital I (the "Trust"), a statutory business trust created under the Business Trust Act (the "Delaware Act") of the State of Delaware (Chapter 38, Title 12, of the Delaware Code, 12 Del. C. Sections 3801 et seq.), and The Washington Water Power Company, a

Washington corporation (the "Company" and, together with the Trust, the "Offerors") confirm their agreement (the "Agreement") with Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") and each of the other Underwriters named in Schedule A hereto (collectively, the "Underwriters", which term shall also include any underwriter substituted as hereinafter provided in Section 11 hereof), for whom Merrill Lynch is acting as representative (in such capacity, Merrill Lynch shall hereinafter be referred to as the "Representative"), with respect to the sale by the Trust and the purchase by the Underwriters, acting severally and not jointly, of the respective numbers of %

Securities (liquidation amount of \$\_\_\_ per security) of the

Trust ("Securities") set forth in said Schedule A. The Securities will be guaranteed by the Company with respect to distributions and payments upon liquidation, redemption and otherwise (the "Securities Guarantee") pursuant to the Securities Guarantee Agreement (the "Securities Guarantee Agreement"), dated as of , between the Company and

Wilmington Trust Company, as trustee (the "Guarantee Trustee"), and entitled to the benefits of certain backup undertakings described in the Prospectus (as defined herein) with respect to the Company's agreement pursuant to the Declaration (as defined herein) to pay all expenses relating to the administration of the Trust. In certain circumstances, the Trust may distribute Subordinated Debt Securities (as defined herein) to holders of the Securities. The Securities and the related Securities Guarantee are referred to herein as the "Trust Securities".

The Offerors understand that the Underwriters propose to make a public offering of the Trust Securities. The entire proceeds from the sale of the Trust Securities will be combined with the entire proceeds from the sale by the Trust to the Company of its common securities (the "Common Securities"), as guaranteed by the Company, to the extent set forth in the Prospectus, with respect to distributions and payments upon liquidation and redemption (the "Common Securities Guarantee" and, together with the Securities Guarantee, the "Guarantees") pursuant to the Common Securities Guarantee Agreement (the "Common Securities Guarantee Agreement" and, together with the Securities Guarantee Agreement, the "Guarantee Agreements"), dated as of , of the Company, and will be used

by the Trust to purchase the \$ of % Subordinated Debt

Securities, Series A (the "Subordinated Debt Securities") issued by the



warranties as to (i) information contained in or omitted from the Registration Statement or the Prospectus, or any such amendment or supplement, in reliance upon and in conformity with information furnished in writing to the Offerors by any Underwriter, through the Representative, specifically for use in the preparation thereof or (ii) that part of the Registration Statement which shall constitute the Statement of Eligibility (Form T-1) under the Trust Indenture Act.

(c) The Incorporated Documents, when they were filed with the Commission, complied in all material respects with the applicable requirements of the Exchange Act and the applicable rules and regulations of the Commission thereunder, and none of such documents included an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and any additional Incorporated Documents, when they are filed with the Commission, will comply in all material respects with the applicable requirements of the Exchange Act and the applicable rules and regulations of the Commission thereunder and will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading; provided, however, that the Offerors make no

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representations or warranties as to information contained in or omitted from any such documents in reliance upon and in conformity with information furnished in writing to the Offerors by any Underwriter, through the Representative, specifically for use in the preparation thereof.

(d) The financial statements included in the Registration Statement and Prospectus present fairly the financial condition of the Company as of the dates indicated and the results of its operations and its cash flows for the periods indicated. Except as may be specifically mentioned in the Registration Statement and Prospectus, said financial statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis. Deloitte & Touche LLP, who has audited certain of said financial statements, are independent public accountants with respect to the Company as required by the Act and the Rules and Regulations.

(e) Except as set forth in or contemplated by the Prospectus, (i) since the date as of which information is given in the Prospectus there has not been any material adverse change in the condition of the Trust or the Company and its subsidiaries as a whole, financial or otherwise, (ii) since the date of the Prospectus there has not been any transaction entered into by the Trust or the Company or any subsidiary of the Company which is material to the Trust or to the Company and its subsidiaries as a whole other than transactions in the ordinary course of business, and (iii) none of the Trust or the Company or any of the subsidiaries of the Company has any contingent obligation which is material to the Trust or the Company and its subsidiaries as a whole.

(f) The Securities to be issued and sold by the Trust hereunder conform in all material respects, or will when issued so conform, to the description thereof in the Prospectus and have been, or when issued as contemplated hereby and in the Declaration will be, duly authorized and validly issued, and, when so issued will be, subject to the terms of the Declaration, fully paid and non-assessable undivided beneficial interests in the assets of the Trust and will be entitled to the benefits of the Declaration. The issuance of the Securities is not subject to preemptive or other similar rights.

(g) The Trust has been duly created and is validly existing in good standing as a business trust under the Delaware Act, with power and authority to own its properties and conduct its business as described in the Prospectus and to enter into and perform its obligations under this Agreement and the Declaration. The Trust has no subsidiaries and has been duly qualified for the transaction of business and is in good standing under the laws of each other jurisdiction in which qualification is required, except where the failure to so qualify would not have a material adverse effect on the Trust. The Trust is not a party to or otherwise bound by any agreement other than those described in the Prospectus. The Trust is and will be treated as a consolidated subsidiary of the Company pursuant to generally accepted accounting principles. The Trust is and will be classified for United States federal income tax purposes as a grantor trust and not as an association taxable as a corporation.

(h) The Company has been duly incorporated and is validly

existing as a corporation in good standing under the laws of the State of Washington, with corporate power and authority to own, lease and operate its properties and conduct its business as described in the Prospectus, to enter into and perform its obligations under this Agreement, the Declaration, the Indenture and each of the Guarantees and to purchase and hold the Common Securities, and the Company has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which qualification is required, except where the failure to so qualify would not have a material adverse effect on the Company and its subsidiaries taken as a whole.

(i) Each of Pentzer Corporation, Washington Irrigation & Development Company, WWP Energy Solutions, Inc. and WWP Resource Services, Inc. is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction with corporate power and authority under such laws to own, lease and operate its properties and conduct its business.

(j) The Indenture has been and will at the Closing Time be, duly authorized by the Company and qualified under the Trust Indenture Act and at Closing Time will have been duly executed and delivered by the Company and, assuming due authorization, execution and delivery thereby by the Debt Trustee, the Indenture will constitute a valid and legally binding instrument, enforceable in accordance with its terms, except to the extent the enforcement of the Indenture may be limited by any applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other laws affecting creditors' rights generally, by general principles of equity (whether asserted in an action in equity or at law) and by rules of law governing specific performance, injunctive relief, foreclosure, receivership and other equitable remedies; and the Indenture will conform in all material respects to the description thereof contained in the Prospectus.

(k) The Subordinated Debt Securities have been duly authorized, and when issued and delivered pursuant to this Indenture, and duly authenticated by the Debt Trustee pursuant to the Indenture, will have been duly executed, authenticated, issued and delivered and will constitute valid and legally binding obligations of the Company entitled to the benefits provided by the Indenture and enforceable in accordance with their terms, except to the extent the enforcement of the Subordinated Debt Securities may be limited by any applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other laws affecting creditors' rights generally, by general principles of equity (whether asserted in an action in equity or at law) and by rules of law governing specific performance, injunctive relief, foreclosure, receivership and other equitable remedies; and the Subordinated Debt Securities will conform in all material respects to the description thereof contained in the Prospectus.

(l) The Declaration has been and will at the Closing Time be, duly authorized by the Company and qualified under the Trust Indenture Act and at Closing Time will have been duly executed and delivered by the Company and the Regular Trustees, and assuming due authorization, execution and delivery thereof by the Delaware Trustee and by the Institutional Trustee, the Declaration will, at Closing Time, be a valid and legally binding instrument enforceable against the Company and the Regular Trustees in accordance with its terms, except to the extent the enforcement of the Declaration may be limited by any applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other laws affecting creditors' rights generally, by general principles of equity (whether asserted in an action in equity or at law) and by rules of law governing specific performance, injunctive relief, foreclosure, receivership and other equitable remedies; and the Declaration will conform in all material respects to the description thereof contained in the Prospectus.

(m) Each of the Guarantee Agreements has been and will at the Closing Time be, duly authorized by the Company and, in the case of the Securities Guarantee, qualified under the Trust Indenture Act and, when executed and delivered by the Company and the Guarantee Trustee (as appropriate), will constitute valid and legally binding instruments, enforceable against the Company in accordance with its terms, except to the extent enforcement of the Guarantee Agreements may be limited by any applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other laws affecting creditors' rights generally, by general principles of equity (whether asserted in an action in equity or at law) and by rules of law governing specific performance, injunctive relief, foreclosure, receivership and other equitable remedies; each of the Guarantees and

the Guarantee Agreements will conform in all material respects to the descriptions thereof contained in the Prospectus.

(n) The Common Securities to be issued and delivered by the Trust to the Company against payment therefor as described in the Registration Statement and Prospectus conform in all material respects, or will when issued so conform, to the description thereof in the Prospectus, and have been, or when issued as contemplated by the Declaration will be, duly authorized and validly issued and, when so issued, subject to the terms of the Declaration, will be fully paid and nonassessable undivided beneficial interests in the assets of the Trust. The issuance of the Common Securities is not subject to preemptive or other similar rights; and at Closing Time all of the issued and outstanding Common Securities of the Trust will be directly owned by the Company free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity.

(o) Each of the Regular Trustees of the Trust is an employee of the Company and has been duly authorized by the Company to execute and deliver the Declaration.

(p) The Trust is not in violation of the Declaration or its certificate of trust, filed with the Secretary of State of the State of Delaware on November 4, 1996 (the "Certificate of Trust"). The execution, delivery and performance by the Company and the Trust of their respective obligations under this Agreement, the Declaration, the Securities, the Common Securities, the Indenture, the Subordinated Debt Securities and the Guarantee Agreements and the consummation of the transactions contemplated herein and therein and compliance by the Offerors with their respective obligations hereunder and thereunder will not result in a breach or violation of any terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or the Trust is a party or by which the Company or the Trust is bound or which any of the property or assets of the Company or the Trust are subject, nor will such action result in any violation of the provisions of any statute or the Restated Articles of Incorporation, as amended, of the Company, or the Bylaws, as amended, of the Company or the Certificate of Trust or the Declaration or, to the best of the Company's and the Trust's knowledge, information or belief, any order, rule or regulation of any court or any federal or state regulatory authority or other governmental agency or body having jurisdiction over the Company or the Trust or any of their properties;

(q) This Agreement has been duly authorized, executed and delivered by each of the Offerors.

(r) The Company has filed or will file with the Washington Utilities and Transportation Commission, the California Public Utilities Commission, the Idaho Public Utilities Commission and the Public Utility Commission of Oregon appropriate applications and any required amendment or amendments thereto for orders authorizing the issuance and sale of the Securities Guarantee and the Subordinated Debt Securities on the terms set forth in or contemplated by this Agreement; and no other consent, approval, authorization, order, registration or qualification of or with any court or governmental agency or body is required for the offering, issuance or sale of the Common Securities, the Securities, Subordinated Debt Securities or the Guarantee Agreements hereunder or the consummation by the Company and the Trust of the other transactions contemplated by this Agreement, except such as have been, or will have been prior to the Closing Time, obtained under the Act or the Trust Indenture Act and such consents, approvals, authorizations, registrations or qualifications as may be required under state securities or Blue Sky laws.

(s) Other than as set forth or contemplated in the Prospectus, there are no legal or governmental proceedings pending to which the Company or any of its subsidiaries is a party or to which any property of the Company or any of its subsidiaries is subject which, if determined adversely to the Company or any of its subsidiaries, would individually or in the aggregate have a material adverse effect on the consolidated financial position, stockholders' equity or results of operations of the Company and its subsidiaries; and, to the best of the Company's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others.

(t) None of the Offerors is and, after giving effect to the offering and sale of the Securities, will be, an "investment company" or an entity "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended.



Section 2. Sale and Purchase.

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On the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Trust agrees to sell to each Underwriter, severally and not jointly, and each Underwriter, severally and not jointly, agrees to purchase from the Trust, the number of Securities set forth in Schedule A opposite the name of such Underwriter, plus any additional number of Securities that such Underwriter may become obligated to purchase pursuant to the provisions of Section 11 hereof, at the price per security set forth in Schedule B hereto.

Section 3. Delivery and Payment.

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Certificates for the Securities will be delivered to the Representative for the accounts of the several Underwriters at the offices of Reid & Priest LLP, 40 West 57th Street, New York, N.Y., against payment of the purchase price therefor by certified or official bank check, payable to the order of the Trust in New York Clearing House funds or similar next day funds, at 10:00 A.M., New York time, on the date specified in Schedule B hereto (or if the New York and American Stock Exchanges and commercial banks in the City of New York are not open on such day, the next day on which such exchanges and banks are open), or at such other time not later than eight full business days thereafter as the Representative and the Offerors determine. The hour and date of such delivery and payment are hereinafter called the "Closing Time".

Certificates for the Securities shall be in definitive form and registered in such names and denominations as the Representative may request in writing not later than 10:00 A.M., New York time, on the second full business day prior to the Closing Time or, if no such instructions shall have been received by that time, in the names of the several Underwriters in such authorized denominations as the Offerors may determine.

The certificates for the Securities shall be delivered to the Representative through the facilities of the Depository Trust Company in New York, New York ("DTC") for the account of the Representative against payment of the purchase price therefor. For the purpose of expediting the checking and packaging of the certificates evidencing the Securities by the Representative on behalf of the several Underwriters, the Offerors agree to make such certificates available to the Representative for such purpose at the offices of DTC, not later than 2:00 P.M., New York time, on the first full business day prior to the Closing Date.

It is understood that the person, firm or corporation acting as the Representative, individually and not as the Representative of the several Underwriters, may (but shall not be obligated to) make payment to the Offerors on behalf of any Underwriter whose check shall not have been received by the Representative at the time of delivery of the Securities to be purchased by such Underwriter. No such payment by such person, firm or corporation shall relieve any such Underwriter of any of its obligations hereunder.

At the Closing Time, the Trust agrees to pay, or cause to be paid, a commission payable at such time to the Underwriters in an amount specified in Schedule B hereto by or certified or official bank check or checks payable to Merrill Lynch, Pierce, Fenner & Smith Incorporated in New York Clearing House funds or other similar next day funds.

Section 4. Covenants of the Offerors.

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Each of the Offerors jointly and severally covenant with each Underwriter:

(a) At the earliest practicable time after the execution of this Agreement, to file or transmit for filing the Prospectus Supplement with the Commission pursuant to Rule 424 of the Rules and Regulations and to notify the Representative by telephone promptly after the Prospectus Supplement has been so filed or transmitted for filing; and to notify the Representative by telephone, promptly after they shall receive notice thereof, of the time when any amendment to the Registration Statement has become effective or any supplement to the Prospectus has been filed with the Commission or transmitted for filing. The Company will timely file all documents required to be

filed by the Company with the Commission pursuant to the Exchange Act subsequent to the effective date of the Registration Statement and for so long as the delivery of a Prospectus is required in connection with the offering or sale of the Trust Securities. The Offerors will not file any amendment or supplement to the Registration Statement or the Prospectus to which the Representative shall reasonably object by notice to the Offerors after having been furnished with copies a reasonable time prior to filing.

(b) To give the Representative immediate advice, and to confirm the advice in writing, of any request received by the Offerors from the Commission for amendment of the Registration Statement or supplements to the Prospectus or for additional information with respect thereto, and of the institution by the Commission of any proceedings for, or any issuance by the Commission of, a stop order suspending the effectiveness of the Registration Statement, and to make every reasonable effort to prevent the issuance of any such stop order or to obtain the prompt withdrawal of any such stop order which may be issued.

(c) To deliver to the Representative, at or before the Closing Time, one signed copy of the Registration Statement as initially filed and of each amendment thereto including all exhibits filed therewith or incorporated therein by reference and not previously furnished and of the Incorporated Documents and to furnish to the Representative upon request, at the earliest practicable time following the filing thereof, such number of conformed copies of the Registration Statement as initially filed and of each amendment or supplement thereto without exhibits for each of the Underwriters.

(d) To furnish the Underwriters through or upon the order of the Representative, with copies of the Prospectus in such quantities as the Representative may from time to time reasonably request, and if the delivery of a Prospectus is required at any time prior to the expiration of nine months after the effective date of the Registration Statement and if at such time any event shall have occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such Prospectus is delivered, not misleading, or if for any other reason it shall be necessary to amend or supplement the Prospectus in order to comply with the Act, promptly to notify the Representative and upon request of the Representative to amend or supplement the Prospectus by either (i) preparing and furnishing without charge to each Underwriter and to any dealer in securities, upon the order of the Representative, as many copies as the Representative may from time to time reasonably request of an amended Prospectus or a supplement to be attached to or furnished with the Prospectus or (ii) making an appropriate filing pursuant to Section 13 or 14 of the Exchange Act, which, in the case of both clauses (i) and (ii), will correct such statement or omission or effect such compliance, provided that should such event relate solely to activities of any Underwriter, then such Underwriter shall assume the expense of preparing and furnishing any such amendment or supplement.

(e) To make generally available to the Trust's security holders, as promptly as may be practicable, an earning statement of the Company in reasonable detail (which need not be audited) covering a period of twelve consecutive months beginning on the first day of the month next succeeding the date upon which the Prospectus Supplement is filed or transmitted for filing pursuant to Rule 424 under the Act, which earnings statement shall satisfy the requirements of Section 11(a) of the Act and Rule 158 thereunder.

(f) During a period of five years from the date of this Agreement, to deliver to the Representative and, upon request, to each of the other Underwriters, a copy of each annual and interim report of the Company to its stockholders, and to deliver to the Representative quarterly balance sheets and statements of income and retained earnings (which need not be audited) and annual balance sheets and statements of income and retained earnings (which shall be audited) of the Company, and copies of all such documents, reports and information as shall be of general interest which shall be furnished by the Company to its stockholders. To the extent the accounts of the Company and its subsidiaries are consolidated, such financial statements shall be furnished on a consolidated basis.

(g) To cooperate with the Representative in qualifying the Trust Securities for offer and sale under the securities or "blue sky" laws of such jurisdictions as the Representative may reasonably

designate; provided, however, that none of the Offerors shall be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction, or to comply with any other requirement reasonably deemed by either of them to be unduly burdensome. The Offerors will, from time to time, prepare and file such statements and reports as are or may be required to continue such qualifications in effect for so long a period as the Representative may reasonably request, but in no event beyond the last day of the calendar month in which the first anniversary of the date of this Agreement shall fall.

(h) To use all reasonable efforts to effect the listing of the Securities (including the Securities Guarantee with respect thereto) on the New York Stock Exchange.

(i) During the period beginning from the date of this Agreement and continuing for a period of thirty (30) days from the date of this Agreement, not to sell, offer to sell, or otherwise dispose of, any Securities, any security convertible into or exchangeable into or exercisable for Securities or Subordinated Debt Securities or any other securities substantially similar to the Subordinated Debt Securities or the Securities (except for the Subordinated Debt Securities and the Securities) without the prior consent of the Representative; provided, however, that nothing herein shall be deemed to restrict the offer or sale by the Company of any debt issued under its Mortgage and Deed of Trust, dated as of June 1, 1939, from the Company to Citibank, N.A., as trustee.

Section 5. Payment of Expenses.

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The Company will pay all expenses incident to the performance of each Offerors' obligations under this Agreement, including, but not limited to, (i) the preparation and filing of the Registration Statement as originally filed and of each amendment thereto, (ii) the preparation, issuance and delivery of the certificates for the Securities to the Underwriters, (iii) the fees and disbursements of the Company's and the Trust's counsel and accountants, (iv) the qualification of the Trust Securities and the Subordinated Debt Securities under securities laws in accordance with the provisions of Section 4(g) hereof, including filing fees and the fees and disbursements of counsel for the Underwriters in connection therewith and in connection with the preparation of any Blue Sky survey and any legal investment survey, (v) the printing and delivery to the Underwriters of copies of the Registration Statement as originally filed and of each amendment thereto, of each preliminary prospectus, and of the Prospectus and any amendments or supplements thereto, (vi) the printing and delivery to the Underwriters of copies of any Blue Sky survey and any legal investment survey, (vii) the fee, if any, of the National Association of Securities Dealers, Inc., (viii) the fees and expenses of the Debt Trustee, including the fees and disbursements of counsel for the Debt Trustee in connection with the Indenture and the Subordinated Debt Securities, (ix) the fees and expenses of the Institutional Trustee, the Delaware Trustee and the Guarantee Trustee, including the fees and disbursements of counsel for the Institutional Trustee in connection with the Declaration and the Certificate of Trust, (x) any fees payable in connection with the rating of the Securities and the Subordinated Debt Securities, (xi) the fees and expenses incurred in connection with the listing of the Securities and, if applicable, the Subordinated Debt Securities on the New York Stock Exchange, (xii) the cost and charges of any transfer agent or registrar, and (xiii) the cost of qualifying the Securities with DTC.

If this Agreement is terminated by the Representative in accordance with the provisions of Section 6 or Section 10 hereof, the Company shall reimburse the Underwriters for all out-of-pocket expenses (including the reasonable fees and disbursements of counsel for the Underwriters), but not exceeding [\$ ], reasonably incurred by them in contemplation of the performance of this Agreement. In no event shall the Company or the Trust be liable to any Underwriter for damages for loss of anticipated profits from the transactions contemplated by this Agreement.

Section 6. Conditions of Underwriters'

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Obligations.

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The obligations of the several Underwriters shall be subject (i)

to the accuracy, at and as of the Closing Time, of the representations and warranties of the Offerors herein contained, (ii) to the performance by the Offerors of their obligations hereunder as are to be performed at or prior to the Closing Time, and (iii) to the following further conditions:

(a) No stop order suspending the effectiveness of the Registration Statement shall have been issued prior to the Closing Time; no proceedings for that purpose shall have been initiated or be pending before, or to the knowledge of the Offerors or the Representative contemplated by, the Commission at the Closing Time; and any request of the Commission for additional information (to be included in the Registration Statement or the Prospectus or otherwise) shall have been complied with to the satisfaction of the Representative.

(b) At or before 1:00 P.M., New York time, on the second business day following the date of this Agreement, or at such later time and date as may be agreed upon in writing by the Representative, there shall have been issued, and at the Closing Time there shall be in full force and effect, appropriate orders of the Washington Utilities and Transportation Commission, the California Public Utilities Commission, the Idaho Public Utilities Commission and the Public Utility Commission of Oregon permitting the issuance and sale of the Securities Guarantee and the Subordinated Debt Securities on the terms herein set forth or contemplated, and containing no provision reasonably unacceptable to the Representative (it being understood that no such order in effect on the date of this Agreement contains any such unacceptable provision).

(c) At the Closing Time, the Representative shall have received from Paine, Hamblen, Coffin, Brooke & Miller LLP, of Spokane, Washington, general counsel for the Company, an opinion, dated as of the Closing Time, substantially in the form of Exhibit 1 hereto.

(d) At the Closing Time, the Representative shall have received from Reid & Priest LLP, of New York, New York, counsel for the Offerors, an opinion, dated as of the Closing Time, substantially in the form of Exhibit 2 hereto.

(e) At the Closing Time, the Representative shall have received from Richards, Layton & Finger, P.A., special Delaware counsel to the Offerors, an opinion, dated as of the Closing Time, substantially in the form of Exhibit 3 hereto.

(f) At the Closing Time, the Representative shall have received from Richards, Layton & Finger, P.A., counsel to Wilmington Trust Company, as Institutional Trustee under the Declaration, and Guarantee Trustee under the Securities Guarantee Agreement, an opinion, dated as of the Closing Time, substantially in the form of Exhibit 4 hereto.

(g) At the Closing Time, the Representative shall have received the opinion of Sullivan & Cromwell, New York, New York, counsel for the several Underwriters, in form and substance satisfactory to the Representative with respect to the incorporation and legal existence of the Company, the formation and legal existence of the Trust, the Securities, the Indenture, the Securities Guarantee Agreement, this Agreement, the Registration Statement, the Prospectus and other related matters as the Representative may reasonably require.

In rendering such opinions, Reid & Priest LLP and Sullivan & Cromwell may assume the conclusions of Delaware law relating to the Trust, the Securities and the Declaration set forth in the opinion of Richards, Layton & Finger, P.A., special Delaware counsel for the Offerors, which shall be delivered in accordance with Section 6(e) hereto, and as to the incorporation of the Company and as to all other matters of Washington, California, Idaho, Montana or Oregon law, may assume the conclusions set forth in the opinion of Paine, Hamblen, Coffin, Brooke & Miller LLP which shall be delivered in accordance with Section 6(c) hereto.

(h) At the Closing Time, the Representative shall have received from Deloitte & Touche LLP a letter, dated as of Closing Time, substantially to the effect set forth in Exhibit 5 hereto.

(i) At the Closing Time, the Securities shall be rated in one of the four highest rating categories for long term debt ("Investment Grade") by any nationally recognized statistical rating agency (as defined for purposes of Rule 436(g) under the Act), and the Trust shall have delivered to the Representative a letter, dated the Closing Time, from such nationally recognized statistical rating agency, or other evidence satisfactory to the Representative, confirming that the Securities and the Subordinated Debt Securities have Investment Grade

ratings.

(j) At the Closing Time, the Securities shall have been approved for listing on the New York Stock Exchange upon notice of issuance.

(k) At the Closing Time, the Representative shall have received certificates, dated the Closing Time, from the Chairman of the Board of Directors, the President, any Vice President or the Treasurer of the Company and from a Regular Trustee of the Trust, to the effect that, to the best of his knowledge based on a reasonable investigation:

(i) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been instituted or are pending or contemplated under the Act;

(ii) except as set forth in or contemplated by the Prospectus, (A) since the date of the Prospectus there has not been any material adverse change in the condition of the Trust or the Company and its subsidiaries as a whole, financial or otherwise, or in the business prospects of the Company and its subsidiaries as a whole (B) since the date of the Prospectus there has not been any transaction entered into by the Trust or the Company or any subsidiary of the Company which is material to the Trust or the Company and its subsidiaries as a whole other than transactions in the ordinary course of business, and (C) none the Trust or the Company or any subsidiaries of the Company has any contingent obligation which is material to the Trust or the Company and its subsidiaries as a whole; and

(iii) the representations and warranties on the part of the Company and the Trust contained in this Agreement are true and correct as if made on and as of the Closing Time, and the Trust and the Company have in all material respects complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied under this Agreement at or prior to the Closing Time.

(l) At or prior to the Closing Time, the Offerors shall have furnished to the Representative such further certificates as the Representative shall reasonably request.

The opinions and certificates mentioned in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in all material respects satisfactory to the Representative.

If any condition specified in this Section shall not have been fulfilled, this Agreement may be terminated by the Representative without liability of any party to any other party, except for the obligation of the Company to pay certain expenses to the extent provided in Section 5 hereof and except for any liability under Sections 8 and 9 hereof.

Section 7.        Conditions of Offerors'  
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                  Obligations.  
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The obligations of the Offerors to sell and deliver the Trust Securities and such of the other obligations of the Offerors hereunder as are to be performed by them at or prior to the Closing Time shall be subject to the following conditions:

(a) At the Closing Time no stop order suspending the effectiveness of the Registration Statement shall be in effect and no proceedings for that purpose shall be pending before, or to the knowledge of the Offerors or the Representative contemplated by, the Commission.

(b) At or before 1:00 P.M., New York time, on the second business day following the date of this Agreement, or at such later time and date as may be agreed upon in writing by the Offerors, there shall have been issued, and at the Closing Time there shall be in full force and effect, appropriate orders of the Washington Utilities and Transportation Commission, the California Public Utilities Commission, the Idaho Public Utilities Commission and the Public Utility Commission of Oregon permitting the issuance and sale of the Securities, the Securities Guarantee and the Subordinated Debt Securities on the terms herein set forth or contemplated, and containing no provision reasonably unacceptable to the Offerors (it

being understood that no such order in effect on the date of this Agreement contains any such unacceptable provision).

If any of the conditions specified above in this Section shall not have been fulfilled, this Agreement may be terminated by the Offerors without liability on the part of any party to any other party, except for the obligation of the Offerors to pay certain expenses to the extent provided for in Section 5 hereof and except for any liability under Sections 8 and 9 hereof.

Section 8. Indemnification.  
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(a) The Offerors agree to jointly and severally indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of Section 15 of the Act as follows:

(i) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, arising out of any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, the Basic Prospectus or the Prospectus (or any amendment or supplement thereto), including the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading;

(ii) against any and all loss, liability, claim, damage and expense whatsoever, as incurred, to the extent of the aggregate amount paid in settlement of any litigation, or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission, if such settlement is effected with the written consent of the Company; and

(iii) against any and all expenses whatsoever incurred (including, subject to Section 8(c) hereof, the fees and disbursements of counsel chosen by the Representative) reasonably incurred, in investigating, preparing or defending against any litigation or any investigation or proceeding by any governmental agency or body, commenced or threatened, or any claim whatsoever based upon any such untrue statement or omission or alleged untrue statement or omission, to the extent that any such expense is not paid under (i) or (ii) above;

provided, however, that this indemnity agreement shall not apply to

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any loss, liability, claim, damage or expense to the extent arising out of any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Trust or the Company by any Underwriter through the Representative specifically for use in the Registration Statement (or any amendment thereto), the Basic Prospectus or any preliminary prospectus or the Prospectus (or any amendment or supplement thereto); and provided, further, that, insofar as it

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relates to the Basic Prospectus, the indemnity agreement contained in this subsection (a) shall not inure to the benefit of any Underwriter on account of any loss, liability, claim, damage or expense whatsoever (or actions in respect thereof) arising from the sale of Trust Securities by such Underwriter to any person if a copy of the Prospectus shall not have been sent or given to such person with or prior to the written confirmation of the sale involved to the extent that the Prospectus, if so sent or delivered, would have cured the defect in the Basic Prospectus giving rise to such loss, liability, claim, damage or expense; and provided, further, that if, at any time

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after the date of filing the Prospectus or any amendment or supplement to the Prospectus with the Commission, any event shall have occurred as a result of which the Prospectus as then amended or supplemented ("Current Prospectus") would include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such Prospectus is delivered, not misleading, and if the Offerors shall have furnished to any Underwriter copies of an amended Prospectus ("amended Prospectus") or of a supplement to be attached to or furnished with the current Prospectus ("Supplement"), to which the Representative shall not have objected pursuant to Section 4(a) hereof, for delivery in connection with offers and sales of the Trust Securities, the indemnity agreement contained in this Section 8, insofar as it relates to the current Prospectus, shall not

inure to the benefit of such Underwriter on account of any loss, liability, claim, damage or expense (or actions in respect thereof) arising from the sale of Trust Securities by such Underwriter to any person subsequent to the time such copies have been so furnished to such Underwriter, if a copy of the amended Prospectus or the Supplement, as the case may be, shall not have been sent or given to such person with or prior to the written confirmation of the sale involved, to the extent that the amended Prospectus or the Supplement, if so sent or delivered, would have cured the defect in the current Prospectus giving rise to such loss, liability, claim, damage or expense.

(b) The Company agrees to indemnify the Trust against any and all loss, liability, claim, damage and expense whatsoever, as incurred and as due from the Trust under Section 8(a) hereof.

(c) Each Underwriter severally agrees to indemnify and hold harmless the Offerors, their directors, trustees, each of their officers and trustees who signed the Registration Statement and each person, if any, who controls the Company within the meaning of Section 15 under the Act against any and all loss, liability, claim, damage and expense whatsoever described in the indemnity contained in Section 8(a) hereof, as incurred, but only with respect to untrue statements or omissions made in the Registration Statement (or any amendment thereto), the Basic Prospectus or any preliminary prospectus or the Prospectus (or any amendment or supplement thereto) in reliance upon and in conformity with written information furnished to the Company by any Underwriter through the Representative specifically for use in the Registration Statement (or any amendment thereto), the Basic Prospectus or any preliminary prospectus or the Prospectus (or any amendment or supplement thereto).

(d) Each indemnified party shall give notice as promptly as reasonably practicable to each indemnifying party of any action commenced against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not relieve such indemnifying party from any liability which it may have otherwise than on account of this indemnity agreement. An indemnifying party may participate at its own expense in the defense of any action. In no event shall the indemnifying parties be liable for fees and expenses of more than one counsel (in addition to local counsel) separate from their own counsel for all indemnified parties in connection with any one action or separate but similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances.

Section 9. Contribution. In order to provide for just and

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equitable contribution in circumstances in which the indemnity agreement provided for in Section 8 is for any reason held to be unenforceable by the indemnified parties although applicable in accordance with its terms, the Offerors and the Underwriters shall contribute to the aggregate losses, liabilities, claims, damages and expenses of the nature contemplated by said indemnity agreement incurred by the Offerors and one or more of the Underwriters, as incurred, in such proportion as is appropriate to reflect the relative benefits received by the Trust and the Company on the one hand and the Underwriters on the other from the offering of the Trust Securities from which such loss, liability, claim, damage or expense relates and the relative fault of the Trust and the Company on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, liabilities, claims, damages or expenses, as well as any other relevant equitable considerations. The relative benefits received by the Trust and the Company on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Trust and the Company bear to the total underwriting discounts and commissions received by the Underwriters in each case as set forth on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading relates to information supplied by the Trust and the Company on the one hand or by the Underwriters on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Trust, the Company and the Underwriters agree that it would not be just and equitable if contribution pursuant to this Section 9 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section.

The amount paid or payable by an indemnified party as a result of the losses, liabilities, claims, damages or expenses (or actions in respect thereof) referred to above in this Section 9 shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 9, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The obligations of the Underwriters to contribute are several in proportion to their respective underwriting obligations with respect to the Securities and not joint. For purposes of this Section 9, each person, if any, who controls an Underwriter within the meaning of Section 15 under the Act shall have the same rights to contribution as such Underwriter and each director of the Company, each Trustee of the Trust, each officer of the Company and each Trustee of the Trust who signed the Registration Statement and each person, if any, who controls the Company within the meaning of Section 15 under the Act shall have the same rights to contribution as the Offerors.

Section 10. Termination.

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(a) The Representative shall have the right to terminate this Agreement by giving the notice hereinafter specified at any time at or prior to the Closing Time if (i) trading in securities generally on the New York Stock Exchange shall have been generally suspended or materially limited, (ii) a general moratorium on commercial banking activities in New York shall have been declared by either federal or New York authorities, (iii) there is the outbreak of major hostilities or the major escalation of existing hostilities so as to result in major hostilities, or the declaration by the United States of a national emergency or war, or other national or international calamity or crisis, or (iv) there shall have occurred any downgrading in the rating accorded the Company's debt securities by any "nationally recognized statistical rating organization" (as that term is defined for purposes of Rule 436 under the Act) or any such organization shall have publicly announced or shall have informed the Company that it has placed any of the Company's outstanding debt securities or preferred stock on what is commonly termed a "watch list" for possible downgrading; provided, however, that in the case of any event described in clause (iii) or clause (iv) above, the effect of such event, in the reasonable judgment of the Underwriters, shall be to make it impracticable or inadvisable to market and sell the Trust Securities, or to enforce contracts for the sale of the Trust Securities, upon the terms specified in the Prospectus.

(b) If the Representative elects to terminate this Agreement as provided in this Section, the Company and each Underwriter shall be notified promptly by the Representative by telephone or telegram, confirmed by letter.

Section 11. Substitution of Underwriters.

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(a) If any Underwriter or Underwriters shall fail to take up and pay for the number of Securities agreed by such Underwriter or Underwriters to be purchased hereunder upon tender of such Securities in accordance with the terms hereof, and the aggregate number of Securities which such defaulting Underwriter or Underwriters so fail to purchase does not exceed 10% of the aggregate number of Securities agreed to be purchased hereunder, the Representative shall have the right to postpone the time for delivery of the Securities as hereinafter provided but the remaining Underwriters shall be obligated severally and not jointly, in proportion to their respective purchase obligations hereunder or in such proportions as may be agreed upon among them, to take up and pay for, at the Closing Time, the number of Securities which the defaulting Underwriters agreed but failed to purchase; or

(b) If the aggregate number of Securities which such defaulting Underwriter or Underwriters so fail to purchase exceeds 10% of the aggregate number of Securities, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter.



(c) If it shall be arranged for the remaining Underwriters or substituted purchasers to take up the Securities of the defaulting Underwriter or Underwriters as provided in Section 11(a) hereof, (i) the Representative or the Offerors shall have the right to postpone the Closing Time for a period of not more than seven full business days from the date specified in Section 3 hereof in order to effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus, or in any other documents or arrangements, and the Offerors agree promptly to file any amendments to the Registration Statement or supplements to the Prospectus which may thereby be made necessary, and (ii) the respective number of Securities to be purchased by the remaining Underwriters or substituted purchasers shall be taken as the basis of their respective purchase obligations for all purposes of this Agreement.

(d) Nothing contained in this Section 11 or elsewhere in this Agreement shall relieve any defaulting Underwriter of its liability to the Offerors for damages occasioned by its default hereunder.

(e) The term "Underwriter" as used in this Agreement shall refer to and include any purchaser substituted under this Section 11 with like effect as if such substituted purchaser had originally been named in Schedule A annexed hereto.

Section 12.      Representations to Survive  
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                  Delivery.  
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All representations and warranties contained herein or in certificates delivered pursuant hereto and all covenants and agreements herein not fully performed before delivery of the Securities to the Underwriters shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any Underwriter or any controlling person, or by or on behalf of the Offerors, and shall survive delivery of the Securities to the Underwriters.

Section 13.      Notices.  
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Except as provided herein, all communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the Underwriters shall be directed to the Representative at Merrill Lynch World Headquarters, North Tower, World Financial Center, New York, New York 10281-1201, Attention: Russell Robertson, Senior Managing Director; notices to the Trust or the Company shall be directed to them at The Washington Water Power Company, 1411 East Mission Avenue, Spokane, Washington, 99202, Attention: Treasurer.

Section 14.      Successors.  
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This Agreement shall inure to the benefit of and be binding upon the Underwriters, the Trust and the Company and their respective successors. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person, firm or corporation, other than the Underwriters and the Trust and the Company and their respective successors and the controlling persons and officers, directors and trustees referred to in Sections 8 and 9 any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the Underwriters, the Trust and the Company and their respective successors, and said controlling persons and officers, directors and trustees and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. The term "successor" shall not include any purchaser of Trust Securities merely because of such purchase.

Section 15.      Governing Law and Time.  
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This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed in said State. Except as otherwise set forth herein, specified times of day refer to New York City time.

Section 16. Counterparts.

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This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such respective counterparts shall together constitute one and the same instrument.

Section 17. Representative to Act for the Several

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Underwriters.

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The Representative will act for the several Underwriters in connection with this financing, and any action under this Agreement taken by the Representative will be binding upon all the Underwriters. The Representative represents that it has been authorized to execute this Agreement by the several Underwriters named in Schedule A hereto.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Trust a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement between the Underwriters and the Trust and the Company in accordance with its terms.

Very truly yours,

THE WASHINGTON WATER POWER COMPANY

By

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Title:

WASHINGTON WATER POWER CAPITAL I

By

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Title: Regular Trustee

CONFIRMED AND ACCEPTED,  
as of the date first above written:

MERRILL LYNCH & CO.  
Merrill Lynch, Pierce, Fenner & Smith  
Incorporated

By

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Authorized Signatory

For itself and as Representative of the other Underwriters named in Schedule A hereto.

SCHEDULE A

Name of Underwriter	Number of Securities
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Merrill Lynch, Pierce, Fenner & Smith Incorporated . . . . .	
Total . . . . .	

INFORMATION REGARDING THE  
SECURITIES AND THE SALE THEREOF  
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1. Title of Securities:  
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2. Registration Statement Nos.: 333-\_\_\_\_\_ and 333-\_\_\_\_\_  
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3. Aggregate Number of Securities:  
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4. Stated Value of Securities: \$\_\_\_ per security or \$\_\_\_\_\_ total  
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5. Price Per Security to be Paid to Company: \$\_\_\_, plus accrued  
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distributions, if any, from the date of issuance.
6. Initial Public Offering Price per Security:  
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7. Closing Time:  
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8. Compensation Payable to Underwriters:  
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FORM OF OPINION OF PAINE, HAMBLÉN, COFFIN, BROOKE & MILLER LLP

, 199

[Names and Addresses of Underwriters]

Dear Sirs:

This opinion is being delivered to you pursuant to Section 6(d) of the Underwriting Agreement, dated , 1996 (the "Underwriting

Agreement"), among you as Representative of the Underwriters and The Washington Water Power Company, a Washington corporation (the "Company"), and Washington Water Power Capital I, a statutory business trust created under the Business Trust Act of the State of Delaware (the "Trust"), relating to (i) the issuance and sale by the Trust to the Underwriters of \$ in aggregate liquidation amount of %

Securities (liquidation amount of \$ per Security) (the "Securities"),

issued pursuant to the Declaration and guaranteed pursuant to the Securities Guarantee Agreement, dated as of , by and between the

Company, as guarantor, and Wilmington Trust Company, as guaranty trustee, and (ii) the related issuance and sale by the Company to the Trust of \$ in aggregate principal amount of % Junior Subordinated

Deferrable Interest Debentures, Series A, Due (the "Subordinated

Debt Securities"), to be issued under an Indenture, dated as of , by and between the Company and Wilmington Trust

Company as trustee (the "Debt Trustee").

Capitalized terms used herein but not otherwise defined herein shall have the meaning ascribed to them in the Underwriting Agreement. The Declaration, the Indenture (including the Officer's Certificate establishing the terms of the Subordinated Debt Securities), the Subordinated Debt Securities and the Guarantee Agreements are sometimes collectively referred to herein as the "Company Documents".

In connection with rendering this opinion, we have examined, or are generally familiar with, the following: (a) the Restated Articles of Incorporation, as amended, and the Bylaws, as amended, of the Company; (b) the Underwriting Agreement; (c) the Company Documents; (d) the Securities; (e) the Common Securities; (f) Certificates of Existence/Authorization issued by the Secretary of State of Washington, a Certificate of Corporate Status issued by the Secretary of State of Idaho, a Certificate of Authorization issued by the Secretary of State of Montana, a Certificate of Authorization issued by the Secretary of State of Oregon, and a Certificate of Status of Foreign Corporation issued by the Secretary of State of California; (g) the orders of the Washington Utilities and Transportation Commission (the "WUTC"), the California Public Utilities Commission (the "CPUC"), the Idaho Public Utilities Commission (the "IPUC") and the Public Utility Commission of Oregon (the "OPUC"); (h) the registration statement (File Nos. 333- and 333- ) (the "Registration Statement") filed by

the Company and the Trust with the Securities and Exchange Commission (the "SEC") for the registration under the Securities Act of 1933, as amended (the "Act"), of \$150,000,000 in aggregate amount of the Trust's and the Company's securities and for qualification under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act") of the Indenture, the Declaration and the Guarantee Agreements, together with all exhibits thereto, which Registration Statement, we are advised, became effective on ; (i) the final prospectus relating to the Trust Securities

and the prospectus supplement dated , relating to such

securities and filed with the SEC pursuant to Rule 424 under the Act (collectively, the "Prospectus"); (j) the Incorporated Documents, which are incorporated by reference in the Registration Statement and the Prospectus, consisting of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995 (the "10-K"), the Company's Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 1996 and June 30, 1996 and September 30, 1996 (the "10-Q's"), and the the Company's December 1, 1996 Form 8-K (the "8-K") in each case, together with all exhibits thereto;

and (k) the records of various corporate and other proceedings relating to the authorization of the Underwriting Agreement and the Company Documents. We have also examined such other documents and satisfied ourselves as to such other matters as we have deemed necessary in order to render this opinion. We have not examined the certificates evidencing the Securities, except a specimen thereof.

As to various questions of fact (but not as to the legal conclusions contained therein) material to the opinions set forth below, in rendering such opinions we have relied, with your permission, upon certificates of public officials, certificates of officers or other employees of the Company, representations contained in the Underwriting Agreement, the Company Documents and related documents, and other oral or written assurances by officers or other employees of the Company.

We are general counsel to the Company and the following subsidiaries: WP Laboratories, Inc., WWP Energy Solutions, Inc., WWP Resource Services, Inc., WP International, Inc., Washington Irrigation and Development Company, and WP Finance Co. In such capacity, we represent the Company and such subsidiaries on various matters referred to us by them, but not on all matters. We do not serve as counsel to other direct or indirect subsidiaries and affiliates of the Company (including the Trust) and, as to various questions relating to the activities of such subsidiaries and affiliates, we further have relied upon certificates of officers thereof and assumed or otherwise based this opinion upon legal conclusions set forth in opinions of counsel thereto.

We have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as copies, and the due authorization, execution and delivery of all documents by all parties thereto other than the Company.

As used in this opinion, the expression "to the best of our knowledge" with reference to matters of fact means that, after an examination of the documents made available to us by the Company and after inquiries of officers or employees of the Company, we find no reason to believe that the opinions expressed herein are factually inaccurate; but beyond that, we have not made an independent factual investigation for the purpose of rendering this opinion.

Based upon the foregoing, and subject to the qualifications set forth herein, we are of the opinion that:

(1)(a) The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Washington, is duly qualified to do business and in good standing as a foreign corporation under the laws of the States of California, Idaho, Montana and Oregon, and has adequate corporate powers and has all material required approvals and authorizations to own, lease and operate its properties and to transact an electric and/or gas public utility business in such States as described in the Registration Statement, the Prospectus and the Incorporated Documents. The Company has adequate corporate powers to execute and deliver, and perform its obligations under, the Underwriting Agreement and the Company Documents.

(b) Each of the Company's following subsidiaries, Pentzer Corporation, WWP Energy Solutions, Inc., WWP Resource Services, Inc., and Washington Irrigation & Development Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Washington.

(2) The WUTC, CPUC, IPUC and OPUC have entered appropriate orders authorizing the issuance and sale by the Company of the Subordinated Debt Securities and the Securities Guarantee on the terms set forth or contemplated in such orders; each of such orders, to the best of our knowledge, remain in full force and effect on the date of this opinion; and no further approval, authorization, consent or other order of, or filing with, any governmental agency of the States of Washington, California, Idaho, Montana and Oregon is legally required for the authorization of the issuance and sale by the Company of the Subordinated Debt Securities or in order for (A) the Company Documents to constitute valid and binding obligations of the Company or (B) the Securities and the Common Securities to be validly issued by the Trust.

(3) The Underwriting Agreement and the Company Documents have been duly authorized, executed and delivered by the Company.

(4) The execution, delivery and performance by the Company of its

obligations under the Underwriting Agreement and the Company Documents, and the issuance and sale by the Company of the Subordinated Debt Securities, will not (A) breach or violate the Company's Restated Articles of Incorporation, as amended, or Bylaws, as amended, or (B) breach or violate, or constitute a default under, (i) any order of any court or governmental agency of such States having jurisdiction over the Company or any of its properties which is material to Company or (ii) any contract, indenture, mortgage, agreement or other instrument for borrowed money to which the Company is a party or to which any of its properties is subject and which is listed as an Exhibit to the 10-K, except that we express no opinion as to any such contract, indenture, mortgage, agreement or other instrument which is addressed in the separate opinion to you of Reid & Priest LLP.

(5) Except as described in the Registration Statement, the Prospectus or the Incorporated Documents, to the best of our knowledge, there are no legal or governmental proceedings, either pending or overtly threatened in writing, which arise out of the operations of the Company in the States of Washington, California, Idaho, Montana or Oregon to which the Company is a party or to which the Company or any of its properties are subject and which are material to the Company, other than ordinary, routine legal or governmental proceedings incidental to the kind of business conducted by the Company.

(6) The descriptions of legal or governmental proceedings contained in Item 1 (Note 2) of the 10-Q's and in Item 14 (Note 14) of the 10-K are fair and accurate descriptions thereof in all material respects.

As noted above, we are general counsel to the Company and certain of its subsidiaries and we represent them on various, but not all, matters. Our involvement in the preparation of the Registration Statement, the Prospectus and the Incorporated Documents was limited to generally reviewing drafts thereof prepared by the Company or other counsel to the Company and to participating in the conferences referred to below. However, we have not been engaged to make the ultimate determination of materiality for purposes of, or to determine the wording and degree of disclosure contained in, the Registration Statement, the Prospectus or the Incorporated Documents; we have not been engaged to advise the Company with respect to compliance with securities laws; and we have not otherwise acted as securities law counsel to the Company.

Accordingly, in such capacity during the course of the preparation by the Company of the Registration Statement, the Prospectus and the Incorporated Documents, we have participated in conferences with certain officers and other employees of the Company, with other counsel for the Company, with you and your counsel, and with Deloitte & Touche LLP, the independent certified public accountants who examined the financial statements included in the Registration Statement, the Prospectus and the Incorporated Documents, but we have made no independent verification of the accuracy or completeness of the representations and statements made to us by the Company or the information included by the Company in the Registration Statement, the Prospectus or the Incorporated Documents, and we take no responsibility therefor, except insofar as such information relates to us.

The nature and extent of our engagement by the Company and our participation in the above-mentioned conferences, as described above, would not necessarily be adequate to bring to our attention all matters which could be deemed material or to enable us to make a valid assessment of the materiality of such matters as were brought to our attention or of the wording and degree of disclosure contained in the Registration Statement, the Prospectus or the Incorporated Documents.

However, during the course of our examination of the Registration Statement, the Prospectus and the Incorporated Documents and our participation in the above-mentioned conferences, nothing came to our attention which gives us reason to believe that, when the Registration Statement became effective, the Registration Statement, the Prospectus and the Incorporated Documents contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein not misleading, or that, as of the date of this opinion, the Prospectus, as then amended or supplemented, and the Incorporated Documents contains an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that we do not express any belief as to any financial statements or other financial or statistical information, data or computations contained in the Registration Statement, the Prospectus or the

Incorporated Documents, as to any statements contained in the Statements of Eligibility (Form T-1) under the Trust Indenture Act with respect to the Debt Trustee, the Institutional Trustee and the Guaranty Trustee, or as to any portions of the Registration Statement or the Prospectus other than the sections entitled "The Washington Water Power Company" and "Use of Proceeds" and Part II of the Registration Statement.

The opinions expressed above are limited to the laws of the States of Washington, California, Idaho, Montana and Oregon (excluding therefrom principles of conflicts of laws, state securities or blue sky laws, and laws of political subdivisions of such States). This opinion is limited to the opinions and confirmations expressed above, and no additional opinions or confirmations are to be implied or inferred. Without limiting the generality of the foregoing, it is specifically understood that we express no opinion or confirmation as to (i) whether the Underwriting Agreement, the Company Documents or related documents constitute legal, valid and binding obligations, enforceable in accordance with their terms, (ii) whether the Securities or the Common Securities have been validly issued, or (iii) the tax treatment or other description of the Trust Securities, the Subordinated Securities or related documents contained in the Registration Statement and Prospectus.

This opinion is being delivered as of this date solely in connection with the issuance and sale of the Securities and the related issuance and sale of the Subordinated Debt Securities for the benefit of the addressees hereof. Wilmington Trust Company, as Debt Trustee under the Indenture, is hereby also authorized to rely upon this opinion in connection therewith as if it were addressed to it. Sullivan & Cromwell, Reid & Priest LLP and Richards, Layton & Finger are hereby also authorized to rely upon this opinion in connection therewith as if it were addressed to them. This opinion is not being delivered, nor may it be relied upon, for any other purpose; this opinion is not being delivered for the benefit of, nor may it be relied upon by, the holders of the Trust Securities or the Subordinated Securities or any other party to which it is not specifically addressed or to which reliance is not expressly permitted hereby; and this opinion is not to be used, delivered, circulated, quoted or otherwise referred to except as expressly permitted hereby.

This opinion is given as of the date hereof, without any obligation upon us to update this opinion or to advise the addressees hereof or any other party of any changes in circumstances or laws that may hereafter be brought to our attention or occur which may affect this opinion.

Very truly yours,

PAINE, HAMBLÉN, COFFIN,  
BROOKE & MILLER LLP



## FORM OF OPINION OF REID &amp; PRIEST LLP

, 199

[Names and Addresses of Underwriters]

Dear Sirs:

This opinion is being delivered to you pursuant to Section 6(d) of the Underwriting Agreement, dated \_\_\_\_\_, 1996 (the "Underwriting

Agreement"), among you as Representative of the Underwriters and The Washington Water Power Company, a Washington corporation (the "Company"), and Washington Water Power Capital I, a statutory business trust created under the Business Trust Act of the State of Delaware (the "Trust"), relating to (i) the issuance and sale by the Trust to you of \$

in aggregate liquidation amount, % \_\_\_\_\_ Securities (liquidation amount of \$ \_\_\_\_\_ per Security) (the "Securities"), guaranteed pursuant to the

Securities Guarantee Agreement, dated as of \_\_\_\_\_, by and between the

Company, as guarantor, and Wilmington Trust Company, as preferred guaranty trustee, and (ii) the issuance and sale by the Company to the Trust of \$ \_\_\_\_\_ in aggregate principal amount of % Junior Subordinated

Deferrable Interest Debentures, Series A, Due \_\_\_\_\_ (the "Subord-

inated Debt Securities"), to be issued under an Indenture, dated as of \_\_\_\_\_, by and between the Company and Wilmington Trust Company, as

trustee (the "Debt Trustee").

Capitalized terms used herein but not otherwise defined herein shall have the meaning ascribed to them in the Underwriting Agreement. The Declaration, the Indenture (including the Officer's Certificate establishing the terms of the Subordinated Debt Securities), the Subordinated Debt Securities and the Guarantee Agreements are sometimes collectively referred to herein as the "Company Documents".

In connection with rendering this opinion, we have examined, or are generally familiar with, the following: (a) the Restated Articles of Incorporation, as amended, and the Bylaws, as amended, of the Company; (b) the Underwriting Agreement; (c) the Company Documents; (d) the Securities; (e) the Common Securities; (f) the Registration Statement for the registration under the Securities Act of 1933, as amended (the "Act"), of \$150,000,000 in aggregate amount of the Trust's and the Company's securities and for qualification under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), of the Indenture, the Declaration and the Guarantees, which registration statement became effective on \_\_\_\_\_; (g) the Prospectus filed with the SEC pursuant to Rule 424

under the Act; and (h) the records of various corporate and other proceedings relating to the authorization of the Company Documents. We have also examined such other documents and satisfied ourselves as to such other matters as we have deemed necessary in order to render this opinion. We have not examined the certificates evidencing the Securities, except a specimen thereof.

As to various questions of fact (but not as to the legal conclusions contained therein) material to the opinions set forth below, in rendering such opinions we have relied, with your permission, upon certificates of public officials, certificates of officers or other employees of the Company, representations of the Company and the Trust in the Underwriting Agreement, and other oral or written assurances by officers or other employees of the Company. We do not serve as counsel to direct or indirect subsidiaries or affiliates of the Company, and, as to various questions relating to the activities of such subsidiaries and affiliates, we have further relied upon certificates of officers thereof and opinions of counsel thereto.

We have assumed, consistent with the opinion of even date herewith rendered to you by Paine, Hamblen, Coffin, Brooke & Miller LLP, that the Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Washington and is duly qualified to do business and in good standing as a foreign corporation under the laws of the States of California, Idaho, Montana and Oregon, and has adequate corporate powers to execute and deliver the Underwriting Agreement and the Company Documents; that the Underwriting Agreement and the Company Documents have been duly authorized, executed and delivered by the Company; and that all approvals, authorizations, consents, other orders or filings required under the laws of the States of Washington, California, Idaho, Montana and Oregon in order for the Company Documents to constitute valid and binding obligations of the Company have been obtained. We have further assumed, consistent with the opinion of even date herewith rendered to you by Richards, Layton & Finger, that the Trust has been duly created and is validly existing in good standing as a business trust under the Delaware Act, with trust power and authority for the execution, delivery and performance of its obligations under the Underwriting Agreement and the issuance and performance of its obligations under the Securities and the Common Securities; that the execution, delivery and performance of the of the Underwriting Agreement have been duly authorized by the Trust; that the Securities and the Common Securities have been duly authorized by the Declaration, and are duly and validly issued and, subject to the qualifications set forth in said opinion, are fully paid and nonassessable undivided beneficial interests in the Trust and are entitled to the benefits of the Declaration; and that no authorization, approval, consent or order of any Delaware court or Delaware governmental authority or agency is required in connection with the issuance and sale by the Trust of the Securities or the Common Securities.

Based upon the foregoing, and subject to the qualifications set forth herein, we are of the opinion that:

[1] the Indenture has been duly qualified under the Trust Indenture Act and constitutes a valid and legally binding instrument, enforceable against the Company in accordance with its terms, except to the extent the enforcement of the Indenture may be limited by any applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other laws affecting creditors' rights generally, by general principles of equity (whether asserted in an action in equity or at law) and by rules of law governing specific performance, injunctive relief, foreclosure, receivership and other equitable remedies; and the Indenture conforms in all material respects to the description thereof contained in the Prospectus;

[2] the Subordinated Debt Securities, when duly authenticated and delivered by the Debt Trustee in accordance with the Indenture and issued, delivered and paid for pursuant to the Declaration, will be duly executed, authenticated, issued and delivered and constitute valid and legally binding obligations of the Company, in the form contemplated by and entitled to the benefits provided by the Indenture, and enforceable in accordance with their terms, except to the extent the enforcement of the Subordinated Debt Securities may be limited by any applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other laws affecting creditors' rights generally, by general principles of equity (whether asserted in an action in equity or at law) and by rules of law governing specific performance, injunctive relief, foreclosure, receivership and other equitable remedies; and the Subordinated Debt Securities conform in all material respects to the description thereof contained in the Prospectus;

[3] the Declaration has been duly qualified under the Trust Indenture Act, and the Declaration conforms in all material respects to the description thereof in the Prospectus;

[4] the Securities and the Common Securities conform in all material respects to the descriptions thereof in the Prospectus;

[5] each of the Guarantee Agreements, assuming in the case of the Securities Guarantee Agreement due authorization, execution and delivery of the Securities Guarantee by the Guarantee Trustee, constitute valid and legally binding instruments, enforceable against the Company in accordance with its terms, except to the extent enforcement of the Guarantee Agreements may be limited by any applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other laws affecting creditors' rights generally, by general principles of equity (whether asserted in an action in equity or at law) and by rules of law governing specific performance, injunctive relief, foreclosure, receivership and other

equitable remedies; each of the Guarantees and the Guarantee Agreements conform in all material respects to the descriptions thereof contained in the Prospectus; and the Securities Guarantee has been duly qualified under the Trust Indenture Act;

[6] the execution, delivery and performance by the Company of its obligations under the Underwriting Agreement and the Company Documents and the consummation of the transactions contemplated therein and compliance by the Company with its obligations thereunder will not (A) conflict with the Company's Restated Articles of Incorporation, as amended, or Bylaws, as amended, or (B) result in the breach or violation of any terms or provisions of, or constitute a default under, (i) the Company's Mortgage and Deed of Trust dated as of June 1, 1939, to Citibank, N.A., as trustee, (ii) the Indenture, dated as of July 1, 1988, of the Company to Chemical Bank, (iii) the Lease Agreement, dated as of December 15, 1986, between the Company and IRE-4 of New York, Inc. and all agreements of the Company associated therewith, (iv) the Loan Agreement, dated as of October 1, 1989, between the Company and the City of Forsyth, Rosebud County, Montana, and all agreements of the Company associated therewith, (v) the Trust Company Agreement, dated as of November 21, 1990, between the Company and Bankers Trust Company, and all agreements of the Company associated therewith or (vi) the Agreement for Lease and the Lease Agreement, each dated as of February 26, 1993, between the Company and WP Funding, Limited Partnership, and all agreements of the Company associated therewith;

[7] no approval, authorization, consent or other order of, or filing with, any governmental agency of the State of New York or of the United States of America is required under the respective laws of such jurisdictions in order for (A) the Company Documents to constitute valid and binding obligations of the Company and (B) the Securities and the Common Securities to constitute valid and binding obligations of the Trust;

[8] None of the Offerors is and, after giving effect to the offering and sale of the Securities, will be, an "investment company" or an entity "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended;

[9] the Registration Statement and Prospectus (except the financial statements and other financial and statistical data contained therein and any information furnished to the Company by the Underwriters expressly for use therein, upon which we do not pass) comply as to form in all material respects with the applicable requirements of the Act and the Trust Indenture Act and the applicable instructions, rules and regulations promulgated thereunder; the Registration Statement has become effective under the Act and, to the best of our knowledge, no proceedings for a stop order with respect thereto are pending or threatened under Section 8(d) of the Act; and

[10] the statements made in the Prospectus under the caption "Certain United States Federal Income Tax Considerations" constitute a fair and accurate summary of the matters addressed therein, based upon current law and the assumptions stated or referred to therein; and the statements made in the Prospectus under the caption "Effect of Obligations under the Subordinated Debt Securities and the Guarantee" fairly present the information purported to be given.

We have acted as counsel to the Company primarily with respect to general compliance with the federal securities laws and specific financing and other corporate transactions. Our engagement regarding such compliance was limited to advising the Company as to the requirements of such laws and the rules and regulations of the SEC thereunder, assisting the Company in the assessment of the materiality of particular matters brought to our attention and generally reviewing, with a view toward such compliance, drafts prepared by the Company of the documents incorporated by reference into the Registration Statement and the Prospectus. We have not acted as general counsel to the Company and have not, except for specific purposes, attended meetings of the Board of Directors of the Company, or committees thereof, or of officers of the Company; nor have we otherwise been in a position to become aware of matters not specifically brought to our attention by officers or other employees of, or other counsel to, the Company.

Accordingly, in the course of the preparation by the Company of the Registration Statement and the Prospectus, we participated in conferences with certain officers and other employees of the Company, with other counsel for the Company, with you and your counsel, and with Deloitte & Touche LLP, the independent certified public accountants who examined the financial statements included in the Registration Statement and the

Prospectus, but we made no independent verification of the accuracy or completeness of the representations and statements made to us by the Company or the information included by the Company in the Registration Statement or the Prospectus, and we take no responsibility therefor, except insofar as such information relates to us and as set forth in paragraphs (1) through (5) and (10) above.

The nature and extent of our engagement by the Company and our participation in the preparation of the Registration Statement and the Prospectus, as described above, would not necessarily be adequate to bring to our attention all matters which could be deemed material or to enable us to make a valid assessment of the materiality of such matters as were brought to our attention.

However, during the course of our examination of the Registration Statement and the Prospectus, and our participation in the above-mentioned conferences, nothing came to our attention which gives us reason to believe that (A) when the Registration Statement became effective, the Registration Statement contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that, as of the date of this opinion, the Prospectus, as then amended or supplemented, contains an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that we do not express any belief as to any financial statements or other financial or statistical information, data or computations contained in the Registration Statement or the Prospectus or as to any statements contained in the Statements of Eligibility (Form T-1) under the Trust Indenture Act with respect to the Debt Trustee, the Institutional Trustee and the Guarantee Trustee; or (B) there exist any material contracts which are required to be filed as exhibits to the Registration Statement which have not been so filed.

The opinions enumerated above are limited to the laws of the State of New York and the federal law of the United States of America (excluding therefrom principles of conflicts of laws and state securities or blue sky laws). To the extent that such opinions relate to or are dependent upon matters governed by the laws of other States, they are based upon the assumptions set forth above or otherwise upon the legal conclusions set forth in the aforesaid opinions of Paine, Hamblen, Coffin, Brooke & Miller LLP and Richards, Layton & Finger. For purposes of the opinion expressed in Paragraph 6 above, we have assumed that any document referred to therein which is not stated to be governed by the law of the State of New York would be enforced as written.

Wilmington Trust Company, as Debt Trustee under the Indenture, is hereby authorized to rely upon this opinion in connection therewith as if it were addressed to it. This opinion is not being delivered for the benefit of, nor may it be relied upon by, the holders of the Trust Securities or the Subordinated Debt Securities or any other party to which it is not specifically addressed or to which reliance is not expressly permitted hereby.

Very truly yours,

REID & PRIEST LLP

[FORM OF OPINION OF RICHARDS, LAYTON & FINGER]

, 199

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[Names and Addresses of Underwriters]

Re: Washington Water Power Capital I

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Ladies and Gentlemen:

We have acted as special Delaware counsel for The Washington Water Power Company, a Washington corporation ("WWP"), and Washington Water Power Capital I, a Delaware business trust (the "Trust"), in connection with the matters set forth herein. At your request, this opinion is being furnished to you.

For purposes of giving the opinions hereinafter set forth, our examination of documents has been limited to the examination of originals or copies of the following:

- (a) The Certificate of Trust of the Trust, dated as of November 4, 1996 (the "Certificate"), as filed in the office of the Secretary of State of the State of Delaware (the "Secretary of State") on November 4, 1996;
- (b) The Declaration of Trust of the Trust, dated as of November 4, 1996, between WWP, as Sponsor, and the trustees of the Trust named therein;
- (c) The Amended and Restated Declaration of Trust of the Trust, dated as of \_\_\_\_\_, 199 (including Annex I and Exhibits A-1 and A-2 thereto) (the "Declaration"), among WWP, as Sponsor, the trustees of the Trust named therein (collectively, the "Trustees") and the holders, from time to time, of undivided beneficial interests in the assets of the Trust;
- (d) The Underwriting Agreement, dated \_\_\_\_\_, 199 (the "Underwriting Agreement"), among the Trust, WWP and \_\_\_\_\_, as Representative of the several underwriters named in Schedule A thereto (the "Underwriters");
- (e) The Prospectus, dated \_\_\_\_\_, 199 (the "Prospectus"), and the Prospectus Supplement, dated \_\_\_\_\_, 199 (the "Prospectus Supplement"), relating to the \_\_\_\_\_ % \_\_\_\_\_ Securities, Series A of the Trust representing undivided beneficial interests in the assets of the Trust (each, a "Security" and collectively, the "Securities"); and
- (f) A Certificate of Good Standing for the Trust, dated \_\_\_\_\_, 199 obtained from the Secretary of State.

Initially capitalized terms used herein and not otherwise defined are used as defined in the Declaration.

For purposes of this opinion, we have not reviewed any documents other than the documents listed in paragraphs (a) through (f) above. In particular, we have not reviewed any document (other than the documents listed in paragraphs (a) through (f) above) that is referred to in or incorporated by reference into the documents reviewed by us. We have assumed that there exists no provision in any document that we have not reviewed that is inconsistent with the opinions stated herein. We have conducted no independent factual investigation of our own but rather have relied solely upon the foregoing documents, the statements and information

set forth therein and the additional matters recited or assumed herein, all of which we have assumed to be true, complete and accurate in all material respects.

With respect to all documents examined by us, we have assumed (i) the authenticity of all documents submitted to us as authentic originals, (ii) the conformity with the originals of all documents submitted to us as copies or forms, and (iii) the genuineness of all signatures.

For purposes of this opinion, we have assumed (i) that the Declaration constitutes the entire agreement among the parties thereto with respect to the subject matter thereof, including with respect to the creation, operation and termination of the Trust, and that the Declaration and the Certificate are in full force and effect and have not been amended, (ii) except to the extent provided in paragraph 1 below, the due creation, due formation or due organization, as the case may be, and valid existence in good standing of each party to the documents examined by us under the laws of the jurisdiction governing its creation, formation or organization, (iii) the legal capacity of each natural person who is a party to the documents examined by us, (iv) except to the extent provided in paragraph 4 below, that each of the parties to the documents examined by us has the power and authority to execute and deliver, and to perform its obligations under, such documents, (v) except to the extent provided in paragraph 5 below, that each of the parties to the documents examined by us has duly authorized, executed and delivered such documents, (vi) the receipt by each Person to whom a Security is to be issued by the Trust (the "Security Holders") of a Securities Certificate for such Security and the payment for the Security acquired by it, in accordance with the Declaration, and as described in the Prospectus and the Prospectus Supplement, (vii) that the Securities are issued and sold to the Security Holders in accordance with the Declaration, and as described in the Prospectus and the Prospectus Supplement, (viii) the receipt by the Person (the "Common Security Holder") to whom a % Common Security of the Trust representing common undivided

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beneficial interests in the assets of the Trust (each, a "Common Security" and collectively, the "Common Securities") (the Securities and the Common Securities being hereinafter collectively referred to as the "Trust Securities") is to be issued by the Trust of a Common Securities Certificate for such Common Security and the payment for the Common Security acquired by it, in accordance with the Declaration, and as described in the Prospectus and the Prospectus Supplement, (ix) that the Common Securities are issued and sold to the Common Security Holder in accordance with the Declaration, and as described in the Prospectus and the Prospectus Supplement, (x) that the Trust derives no income from or connected with sources within the State of Delaware and has no assets, activities (other than having a Delaware trustee as required by the Delaware Business Trust Act and the filing of documents with the Secretary of State) or employees in the State of Delaware, and (xi) that the Trust is treated as a grantor trust for federal income tax purposes. We have not participated in the preparation of the Prospectus or the Prospectus Supplement and assume no responsibility for their contents.

This opinion is limited to the laws of the State of Delaware (excluding the securities laws of the State of Delaware), and we have not considered and express no opinion on the laws of any other jurisdiction, including federal laws and rules and regulations relating thereto. Our opinions are rendered only with respect to Delaware laws and rules, regulations and orders thereunder that are currently in effect.

Based upon the foregoing, and upon our examination of such questions of law and statutes of the State of Delaware as we have considered necessary or appropriate, and subject to the assumptions, qualifications, limitations and exceptions set forth herein, we are of the opinion that:

1. The Trust has been duly created and is validly existing in good standing as a business trust under the Delaware Business Trust Act, and all filings required under the laws of the State of Delaware with respect to the creation and valid existence of the Trust as a business trust have been made.

2. Under the Delaware Business Trust Act and the Declaration, the Trust has the trust power and authority to own its property and conduct its business, all as described in the Prospectus and the Prospectus Supplement.

3. The Declaration constitutes a valid and binding obligation of WWP and the Trustees, and is enforceable against WWP and the Trustees, in accordance with its terms.

4. Under the Delaware Business Trust Act and the Declaration,

the Trust has the trust power and authority (i) to execute and deliver, and to perform its obligations under, the Underwriting Agreement, and (ii) to issue and perform its obligations under the Trust Securities.

5. Under the Delaware Business Trust Act and the Declaration, the execution and delivery by the Trust of the Underwriting Agreement, and the performance by the Trust of its obligations thereunder, have been duly authorized by all necessary trust action on the part of the Trust.

6. The Securities have been duly authorized by the Declaration and are duly and validly issued and, subject to the qualifications set forth herein, fully paid and nonassessable undivided beneficial interests in the assets of the Trust and are entitled to the benefits of the Declaration. The Security Holders, as beneficial owners of the Trust, will be entitled to the same limitation of personal liability extended to stockholders of private corporations for profit organized under the General Corporation Law of the State of Delaware. We note that the Security Holders may be obligated, pursuant to the Declaration, (i) to provide indemnity and/or security in connection with and pay taxes or governmental charges arising from transfers or exchanges of Securities Certificates and the issuance of replacement Securities Certificates, and (ii) to provide security or indemnity in connection with requests of or directions to the Institutional Trustee to exercise its rights and powers under the Declaration.

7. Under the Delaware Business Trust Act, the certificate attached to the Declaration as Exhibit A-1 is an appropriate form of certificate to evidence ownership of the Securities.

8. The Common Securities have been duly authorized by the Declaration and are duly and validly issued undivided beneficial interests in the assets of the Trust.

9. Under the Delaware Business Trust Act and the Declaration, the issuance of the Trust Securities is not subject to preemptive rights.

10. The issuance and sale by the Trust of the Trust Securities, the execution, delivery and performance by the Trust of the Underwriting Agreement, the consummation by the Trust of the transactions contemplated thereby and compliance by the Trust with its obligations thereunder do not violate (i) any of the provisions of the Certificate or the Declaration, or (ii) any applicable Delaware law or administrative regulation.

11. No authorization, approval, consent or order of any Delaware court or Delaware governmental authority or agency is required to be obtained by the Trust solely in connection with the issuance and sale of the Trust Securities.

12. Neither the issuance and sale by the Trust of the Trust Securities, nor the performance by the Trust of the Underwriting Agreement requires the filing with any court, governmental authority or agency under the laws of the State of Delaware, except for the filing of the Certificate which has been duly effected.

13. The Security Holders (other than those Security Holders who reside or are domiciled in the State of Delaware) will have no liability for income taxes imposed by the State of Delaware solely as a result of their participation in the Trust, and the Trust will not be liable for any income tax imposed by the State of Delaware.

The opinion expressed in paragraph 3 above is subject, as to enforcement, to the effect upon the Declaration of (i) bankruptcy, insolvency, moratorium, receivership, reorganization, liquidation, fraudulent transfer and other similar laws relating to or affecting the rights and remedies of creditors generally, (ii) principles of equity, including applicable law relating to fiduciary duties (regardless of whether considered and applied in a proceeding in equity or at law), and (iii) the effect of applicable public policy on the enforceability of provisions relating to indemnification or contribution.

We consent to your relying as to matters of Delaware law upon this opinion in connection with the Underwriting Agreement. Except as stated above, without our prior written consent, this opinion may not be furnished or quoted to, or relied upon by, any other Person for any purpose.

Very truly yours,

[FORM OF OPINION OF RICHARDS, LAYTON & FINGER]

, 199

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[Names and Addresses of Underwriters]

Re: Washington Water Power Capital I

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Ladies and Gentlemen:

We have acted as counsel to Wilmington Trust Company, a Delaware banking corporation ("Wilmington Trust"), in connection with the transactions contemplated by (i) the Amended and Restated Declaration of Trust, dated as of \_\_\_\_\_, 199 (the "Declaration"), among The

Washington Water Power Company, a Washington corporation ("WWP"), Wilmington Trust, as Institutional Trustee and Delaware Trustee, the regular trustees named therein and the holders, from time to time, of undivided beneficial interests in the assets of Washington Water Power Capital I, a Delaware business trust (the "Trust"), (ii) the Indenture, dated as of \_\_\_\_\_, 199 (the "Indenture"), between WWP and

Wilmington Trust, as trustee, and (iii) the Securities Guarantee Agreement, dated as of \_\_\_\_\_, 199 (the "Securities Guarantee"), between WWP and

Wilmington Trust, as trustee. This opinion is being furnished to you pursuant to Section 6(f) of the Underwriting Agreement, dated \_\_\_\_\_, 199 (the "Underwriting Agreement"), among WWP, the Trust and Merrill Lynch

& Co., individually and as Representative of the several Underwriters named in Schedule A to the Underwriting Agreement. Capitalized terms used herein and not otherwise defined are used as defined in the Declaration, except that reference herein to any document shall mean such document as in effect on the date hereof.

We have examined originals or copies of the Declaration, the Securities Guarantee and the Indenture. We have also examined originals or copies of such other documents and such corporate records, certificates and other statements of governmental officials and corporate officers and other representatives of Wilmington Trust as we have deemed necessary or appropriate for the purposes of this opinion. Moreover, as to certain facts material to the opinions expressed herein, we have relied upon the representations and warranties contained in the documents referred to in this paragraph.

Based upon the foregoing and upon an examination of such questions of law as we have considered necessary or appropriate, and subject to the assumptions, exceptions and qualifications set forth below, we advise you that, in our opinion:

1. Wilmington Trust is duly incorporated and is validly existing in good standing as a banking corporation with trust powers under the laws of the State of Delaware.
2. Wilmington Trust has the power and authority to execute, deliver and perform its obligations under the Declaration, the Indenture and the Securities Guarantee.
3. Each of the Declaration, the Indenture and the Securities Guarantee has been duly authorized, executed and delivered by Wilmington Trust and constitutes a legal, valid and binding obligation of Wilmington Trust, enforceable against Wilmington Trust in accordance with its terms.

4. The execution, delivery and performance by Wilmington Trust of the Declaration, the Indenture and the Securities Guarantee do not conflict with or constitute a breach of the charter or by-laws of Wilmington Trust.



5. No consent, approval or authorization of, or registration with or notice to, any governmental authority or agency of the State of Delaware or the United States of America governing the banking or trust powers of Wilmington Trust is required for the execution, delivery or performance by Wilmington Trust of the Declaration, the Indenture and the Securities Guarantee.

The foregoing opinions are subject to the following assumptions, exceptions and qualifications:

A. We are admitted to practice law in the State of Delaware and we do not hold ourselves out as being experts on the law of any other jurisdiction. The foregoing opinions are limited to the laws of the State of Delaware and the federal laws of the United States of America governing the banking and trust powers of Wilmington Trust (except that we express no opinion with respect to (i) state securities or blue sky laws and (ii) federal securities laws, including, without limitation, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, the Trust Indenture Act of 1939, as amended, and the Investment Company Act of 1940, as amended), and we have not considered and express no opinion on the laws, rules and regulations of any other jurisdiction. Insofar as the foregoing opinions relate to the validity and enforceability of the Indenture and the Securities Guarantee expressed to be governed by the laws of the State of New York, we have assumed that such document is legal, valid, binding and enforceable in accordance with its terms under such laws (as to which we express no opinion).

B. The foregoing opinions regarding enforceability are subject to (i) applicable bankruptcy, insolvency, reorganization, moratorium, receivership, fraudulent transfer and similar laws relating to or affecting the rights and remedies of creditors generally, (ii) principles of equity, including applicable law relating to fiduciary duties (regardless of whether considered and applied in a proceeding in equity or at law), and (iii) the effect of applicable public policy on the enforceability of provisions relating to indemnification or contribution.

C. We have assumed the due authorization, execution and delivery by each of the parties thereto, other than Wilmington Trust, of each of the Declaration, the Indenture and the Securities Guarantee and that each of such parties has the power and authority to execute, deliver and perform each such document.

D. We have assumed that all signatures on documents examined by us are genuine, that all documents submitted to us as originals are authentic, and that all documents submitted to us as copies or specimens conform with the originals, which facts we have not independently verified.

E. We express no opinion as to the creation, attachment, perfection or priority of any mortgage or security interest or the nature or validity of title to any property.

F. We have not participated in the preparation of any offering materials with respect to the Trust Securities and we assume no responsibility for their contents.

This opinion may be relied upon by you in connection with the matters set forth herein. Except as stated above, without our prior written consent, this opinion may not be furnished or quoted to, or relied upon by, any other Person for any purpose.

Very truly yours,

EXHIBIT 5

[CONTENTS OF LETTER OF DELOITTE & TOUCHE]

The letter of Deloitte & Touche will state in effect that:

(1) They are independent certified public accountants with respect to the Company and its subsidiaries within the meaning of the Act and the Rules and Regulations.

(2) In their opinion, the financial statements audited by them and incorporated by reference in the Prospectus comply as to form in all material respects with the applicable accounting requirements of the Act, the Exchange Act and the Rules and Regulations.

(3) On the basis of procedures referred to in such letter, including a reading of the latest available minutes of the Board of Directors of the Company and a reading of the latest available interim financial statements of the Company and inquiries of officials of the Company responsible for financial and accounting matters, nothing caused them to believe that:

(a) the unaudited income statement and balance sheet amounts, if any, included in the Prospectus were not determined on a basis substantially consistent with that of the corresponding amounts in the audited financial statements incorporated by reference in the Prospectus;

(b) the unaudited condensed financial statements included in the Company's Quarterly Reports on Form 10-Q, if any, incorporated by reference in the Prospectus do not comply as to form in all material respects with the applicable accounting requirements of the Exchange Act and the related published rules and regulations thereunder applicable to reports on Form 10-Q or are not in conformity with generally accepted accounting principles on a basis substantially consistent with that of the audited financial statements incorporated by reference in the Prospectus;

(c) at the date of the latest available internal balance sheet of the Company, there was any change in the capital stock, notes payable or long-term debt or any decrease in the net assets of the Company, or, at a subsequent specified date not more than five days prior to the date of such letter, there was a change in the capital stock, notes payable or long-term debt of the Company, in each case as compared with the amounts shown in the most recent balance sheet of the Company incorporated by reference in the Prospectus, except for (i) increases in capital stock resulting from the issuance of shares pursuant to employee benefit plans and the Company's Dividend Reinvestment and Stock Purchase Plan, (ii) decrease in long-term debt resulting from amortization of debt premium or increases in long-term debt premium or increases in long-term debt resulting from draw-downs of funds held in trust, (iii) decreases in net assets resulting from the declaration of dividends, (iv) changes or decreases which the Prospectus discloses have occurred or may occur and (v) such other changes or decreases as may be set forth in such letter; or

(d) at the date of the latest available internal balance sheet of the Company, there was any decrease, as compared with the most recent twelve-month period for which operating revenues and net income are included or incorporated by reference in the Prospectus, in such amounts, except in all cases for changes or decreases which the Prospectus discloses have occurred or may occur or as may be set forth in set letter.

(4) In addition to their examination referred to in their report in the Registration Statement and Prospectus and the procedures referred to in (3) above, they have carried out certain other specified procedures, not constituting an audit, with respect to the dollar amounts, percentages and other financial information, (in each case to the extent that such dollar amounts, percentages and other financial information, either directly or by analysis or computation, are derived from the general accounting records of the Company) which appear (i) in the Prospectus under the caption "The Washington Water Power Company Selected Historical Financial Information" and (ii) in the Company's annual report on Form 10-K for its most recent fiscal year in Item 1, "Business", Item 6, "Selected Financial Data" and Item 7 "Managements's Discussion and Analysis of Financial Condition and Results of Operations" and have found such dollar amounts, percentages and financial information to be in agreement with the accounting records of the

Company .

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AMENDED AND RESTATED DECLARATION  
OF TRUST

WASHINGTON WATER POWER CAPITAL I

Dated as of \_\_\_\_\_, 199  
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310(a) . . . . .	5.3(a)
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310(c) . . . . .	Inapplicable
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317(a) . . . . .	3.8(h)
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318 . . . . .	2.1

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\* This Cross-Reference Table does not constitute part of the Declaration and shall not affect the interpretation of any of its terms or provisions.

AMENDED AND RESTATED  
DECLARATION OF TRUST  
OF  
WASHINGTON WATER POWER CAPITAL I

, 199

AMENDED AND RESTATED DECLARATION OF TRUST ("Declaration") dated and effective as of \_\_\_\_\_, 199 , by the Trustees (as defined herein), the Sponsor (as defined herein) and by the holders, from time to time, of undivided beneficial interests in the Trust to be issued pursuant to this Declaration;

WHEREAS, the Trustees and the Sponsor established Washington Water Power Capital I (the "Trust"), a trust under the Delaware Business Trust Act pursuant to a Declaration of Trust dated as of November 4, 1996 (the "Original Declaration"), and a Certificate of Trust filed with the Secretary of State of the State of Delaware on November 4, 1996, for the sole purpose of issuing and selling certain securities representing undivided beneficial interests in the assets of the Trust and investing the proceeds thereof in certain Debentures of the Debenture Issuer;

WHEREAS, as of the date hereof, no interests in the Trust have been issued;

WHEREAS, all of the Trustees and the Sponsor, by this Declaration, amend and restate each and every term and provision of the Original Declaration; and

NOW, THEREFORE, it being the intention of the parties hereto to continue the Trust as a business trust under the Business Trust Act and that this Declaration constitute the governing instrument of such business trust, the Trustees declare that all assets contributed to the Trust will be held in trust for the benefit of the holders, from time to time, of the securities representing undivided beneficial interests in the assets of the Trust issued hereunder, subject to the provisions of this Declaration.

ARTICLE I  
INTERPRETATION AND DEFINITIONS

SECTION 1.1 Definitions.

Unless the context otherwise requires:

(a) Capitalized terms used in this Declaration but not defined in the preamble above have the respective meanings assigned to them in this Section 1.1;

(b) a term defined anywhere in this Declaration has the same meaning throughout;

(c) all references to "the Declaration" or "this Declaration" are to this Declaration as modified, supplemented or amended from time to time;

(d) all references in this Declaration to Articles and Sections and Annexes and Exhibits are to Articles and Sections of and Annexes and Exhibits to this Declaration unless otherwise specified;

(e) a term defined in the Trust Indenture Act has the same meaning when used in this Declaration unless otherwise defined in this Declaration or unless the context otherwise requires; and

(f) a reference to the singular includes the plural and vice versa.

"Affiliate" has the same meaning as given to that term in Rule 405 of the Securities Act or any successor rule thereunder.

"Agent" means any Paying Agent.



"Authorized Officer" of a Person means any Person that is  
-----  
authorized to legally bind such Person.

"Business Day" means any day other than Saturday, Sunday or any  
-----  
other day on which banking institutions in the City of Wilmington, Delaware  
and The City of New York are authorized or required by any applicable law  
to close.

"Business Trust Act" means Chapter 38 of Title 12 of the Delaware  
-----  
Code, 12 Del. Code Section 3801 et seq., as it may be amended from time to  
-----  
time, or any successor legislation.

"Certificate" means a Common Security Certificate or a Security  
-----  
Certificate.

"Closing Date" means the "Closing Time" and each "Date of  
-----  
Delivery" under the Underwriting Agreement.

"Code" means the Internal Revenue Code of 1986, as amended from  
-----  
time to time, or any successor legislation.

"Commission" means the Securities and Exchange Commission.  
-----

"Common Securities" has the meaning specified in Section 7.1.(a).  
-----

"Common Securities Guarantee" means the guarantee agreement to be  
-----  
dated as of \_\_\_\_\_, 199\_ of the Sponsor in respect of the Common  
Securities.

"Common Security Certificate" means a certificate in fully  
-----  
registered form representing a Common Security substantially in the form of  
Exhibit A-2.

"Company Indemnified Person" means (a) any Regular Trustee; (b)  
-----  
any Affiliate of any Regular Trustee; (c) any officers, directors,  
shareholders, members, partners, employees, representatives or agents of  
any Regular Trustee; or (d) any officer, employee or agent of the Trust or  
its Affiliates.

"Corporate Trust Office" means the office of the Institutional  
-----  
Trustee at which the corporate trust business of the Institutional Trustee  
shall, at any particular time, be principally administered, which office at  
the date of execution of this Agreement is located at Rodney Square North,  
1100 North Market Street, Wilmington, Delaware 19890.

"Covered Person" means: (a) any officer, director, shareholder,  
-----  
partner, member, representative, employee or agent of (i) the Trust or (ii)  
the Trust's Affiliates; and (b) any Holder of Trust Securities.

"Debenture Issuer" means The Washington Water Power Company, a  
-----  
Washington corporation, or any successor entity resulting from any  
consolidation, amalgamation, merger or other business combination, in its  
capacity as issuer of the Debentures under the Indenture.

"Debenture Trustee" means Wilmington Trust Company, a Delaware  
-----  
banking corporation, as trustee under the Indenture until a successor is  
appointed thereunder, and thereafter means such successor trustee.

"Debentures" means the series of Debentures to be issued by the  
-----  
Debenture Issuer under the Indenture to be held by the Institutional  
Trustee.

"Delaware Trustee" has the meaning set forth in Section 5.2.

-----  
"Depository" has the meaning set forth in Section 9.1.  
-----

"Distribution" means a distribution payable to Holders of Trust  
-----  
Securities in accordance with Section 6.1.

"Event of Default", in respect of the Trust Securities, means an  
-----  
Event of Default as defined in the Indenture, so long as the same shall be  
continuing under the Indenture.

"Exchange Act" means the Securities Exchange Act of 1934, as  
-----  
amended from time to time, or any successor legislation.

"Fiduciary Indemnified Person" has the meaning set forth in  
-----  
Section 10.4(b).

"Guarantees" means the Common Securities Guarantee and the  
-----  
Securities Guarantee.

"Holder" means a Person in whose name a Certificate representing  
-----  
a Trust Security is registered, such Person being a beneficial owner within  
the meaning of the Business Trust Act.

"Indemnified Person" means a Company Indemnified Person or a  
-----  
Fiduciary Indemnified Person.

"Indenture" means the Indenture dated as of \_\_\_\_\_ 1, 199\_,  
-----  
between the Debenture Issuer and the Debenture Trustee, as supplemented.

"Institutional Trustee" has the meaning set forth in Section 5.3.  
-----

"Institutional Trustee Account" has the meaning set forth in  
-----  
Section 3.8(c)(i).

"Investment Company" means an investment company as defined in  
-----  
the Investment Company Act.

"Investment Company Act" means the Investment Company Act of  
-----  
1940, as amended from time to time, or any successor legislation.

"Legal Action" has the meaning set forth in Section 3.6(g).  
-----

"Majority in liquidation amount of the Trust Securities" means,  
-----  
except as provided in the terms of the Securities or by the Trust Indenture  
Act, Holder(s) of outstanding Trust Securities voting together as a single  
class or, as the context may require, Holders of outstanding Securities or  
Holders of outstanding Common Securities voting separately as a class, who  
are the record owners of more than 50% of the aggregate liquidation amount  
(including the stated amount that would be paid on redemption, liquidation  
or otherwise, plus accrued and unpaid Distributions to the date upon which  
the voting percentages are determined) of all outstanding Trust Securities  
of the relevant class.

"Ministerial Action" has the meaning set forth in the terms of  
-----  
the Trust Securities as set forth in Annex I.

"Officer's Certificate" means, with respect to any Person, a  
-----  
certificate signed by an Authorized Officer of such Person. Any Officer's  
Certificate delivered with respect to compliance with a condition or  
covenant provided for in this Declaration shall include:

(a) a statement that each officer signing the Officers' Certificate  
has read such covenant or condition and the definitions herein relating

thereto;

(b) a brief statement of the nature and scope of the examination or investigation upon which the statements contained in such Officer's Certificate are based;

(c) a statement that, in the opinion of such officer, such officer has made such examination or investigation as is necessary to enable such officer to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of such officer, such condition or covenant has been complied with.

"Paying Agent" has the meaning specified in Section 7.2.  
-----

"Person" means a legal person, including any individual,  
-----  
corporation, estate, partnership, joint venture, association, joint stock company, limited liability company, trust, unincorporated association, or government or any agency or political subdivision thereof, or any other entity of whatever nature.

"Quorum" means a majority of the Regular Trustees or, if there  
-----  
are only two Regular Trustees, both of them.

"Registrar" means the registrar for the Securities appointed by  
-----  
the Trust and shall initially be Wilmington Trust Company.

"Regular Trustee" has the meaning set forth in Section 5.1.  
-----

"Related Party" means, with respect to the Sponsor, any direct or  
-----  
indirect wholly owned subsidiary of the Sponsor or any other Person that owns, directly or indirectly, 100% of the outstanding voting securities of the Sponsor.

"Responsible Officer" means, with respect to the Institutional  
-----  
Trustee, any officer of the Institutional Trustee assigned by the Institutional Trustee to administer its corporate trust matters.

"Rule 3a-5" means Rule 3a-5 under the Investment Company Act, or  
-----  
any successor rule or regulation.

"Securities" has the meaning specified in Section 7.1(a).  
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"Securities Act" means the Securities Act of 1933, as amended  
-----  
from time to time, or any successor legislation.

"Security Certificate" means a certificate representing a  
-----  
Security substantially in the form of Exhibit A-1.

"Securities Guarantee" means the guarantee agreement to be dated  
-----  
as of \_\_\_\_\_, 199\_, of the Sponsor in respect of the Securities.

"Sponsor" means The Washington Water Power Company, a Washington  
-----  
corporation, or any successor entity resulting from any consolidation, amalgamation, merger or other business combination, in its capacity as sponsor of the Trust.

"Tax Event" has the meaning set forth in Annex I hereto.  
-----

"10% in liquidation amount of the Trust Securities" means, except  
-----  
as provided in the terms of the Securities or by the Trust Indenture Act, Holder(s) of outstanding Trust Securities voting together as a single class or, as the context may require, Holders of outstanding Securities or Holders of outstanding Common Securities voting separately as a class, who

are the record owners of 10% or more of the aggregate liquidation amount (including the stated amount that would be paid on redemption, liquidation or otherwise, plus accrued and unpaid Distributions to the date upon which the voting percentages are determined) of all outstanding Trust Securities of the relevant class.

"Transfer Agent" means the transfer agent for the Securities  
-----  
appointed by the Trust and shall initially be Wilmington Trust Company.

"Treasury Regulations" means the income tax regulations,  
-----  
including temporary and proposed regulations, promulgated under the Code by the United States Treasury, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

"Trustee" or "Trustees" means each Person who has signed this  
-----  
Declaration as a trustee, so long as such Person shall continue in office in accordance with the terms hereof, and all other Persons who may from time to time be duly appointed, qualified and serving as Trustees in accordance with the provisions hereof, and references herein to a Trustee or the Trustees shall refer to such Person or Persons solely in their capacity as trustees hereunder.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as  
-----  
amended from time to time, or any successor legislation.

"Trust Property" means (i) the Debentures, (ii) any cash or  
-----  
deposit in, or owing to, the Institutional Trustee Account and (iii) all proceeds and rights in respect of the foregoing and any other property and assets for the time being held by the Institutional Trustee pursuant to the trusts of this Declaration.

"Trust Securities" means the Common Securities and the  
-----  
Securities.

"Underwriting Agreement" means the Underwriting Agreement for the  
-----  
offering and sale of Securities.

ARTICLE II  
TRUST INDENTURE ACT

SECTION 2.1 Trust Indenture Act; Application.  
-----

(a) This Declaration is subject to the provisions of the Trust Indenture Act that are required to be part of this Declaration and shall, to the extent applicable, be governed by such provisions.

(b) The Institutional Trustee shall be the only Trustee which is a Trustee for the purposes of the Trust Indenture Act.

(c) If and to the extent that any provision of this Declaration limits, qualifies or conflicts with the duties imposed by Sections 310 to 317, inclusive, of the Trust Indenture Act, such imposed duties shall control.

(d) The application of the Trust Indenture Act to this Declaration shall not affect the nature of the Trust Securities as equity securities representing undivided beneficial interests in the assets of the Trust.

SECTION 2.2 Lists of Holders of Trust Securities.  
-----

(a) Each of the Sponsor and the Regular Trustees on behalf of the Trust shall provide the Institutional Trustee (i) within 14 days after each record date for payment of Distributions, a list, in such form as the Institutional Trustee may reasonably require, of the names and addresses of the Holders of the Trust Securities ("List of Holders") as of such record date; provided, however, that neither the Sponsor nor the Regular Trustees on behalf of the Trust shall be obligated to provide such List of Holders at any time the List of Holders does not differ from the most recent List of Holders given to the Institutional Trustee by the Sponsor and the Regular Trustees on behalf of the Trust; and provided, further, that in any

event such List of Holders will be provided to the Institutional Trustee not less than once every 6 months pursuant to this Section 2.2(a)(i), and (ii) at any other time, within 30 days of receipt by the Trust of a written request for a List of Holders as of a date no more than 14 days before such List of Holders is given to the Institutional Trustee. The Institutional Trustee shall preserve, in as current a form as is reasonably practicable, all information contained in Lists of Holders given to it or which it receives in the capacity as Paying Agent (if acting in such capacity) provided, however, that the Institutional Trustee may destroy any List of Holders previously given to it on receipt of a new List of Holders.

(b) The Institutional Trustee shall comply with its obligations under Sections 311(a), 311(b) and 312(b) of the Trust Indenture Act.

SECTION 2.3 Reports by the Institutional Trustee.  
-----

Within 60 days after May 15 of each year, the Institutional Trustee shall provide to the Holders of the Securities such reports as are required by Section 313 of the Trust Indenture Act, if any, in the form and in the manner provided by Section 313 of the Trust Indenture Act. The Institutional Trustee shall also comply with the requirements of Section 313(d) of the Trust Indenture Act.

SECTION 2.4 Periodic Reports to Institutional Trustee.  
-----

Each of the Sponsor and the Regular Trustees on behalf of the Trust shall provide to the Institutional Trustee such documents, reports and information as required by Section 314 (if any) and the compliance certificate required by Section 314 of the Trust Indenture Act in the form, in the manner and at the times required by Section 314 of the Trust Indenture Act.

SECTION 2.5 Evidence of Compliance with Conditions Precedent.  
-----

Each of the Sponsor and the Regular Trustees on behalf of the Trust shall provide to the Institutional Trustee such evidence of compliance with any conditions precedent, if any, provided for in this Declaration that relate to any of the matters set forth in Section 314(c) of the Trust Indenture Act. Any certificate or opinion required to be given by an officer pursuant to Section 314(c)(1) may be given in the form of an Officer's Certificate.

SECTION 2.6 Events of Default; Waiver.  
-----

(a) The Holders of a Majority in liquidation amount of Securities may, by vote, on behalf of the Holders of all of the Securities, waive any past Event of Default in respect of the Securities and its consequences; provided, however, that if the underlying Event of Default under the Indenture is not waivable under the Indenture, the Event of Default under the Declaration shall also not be waivable.

Upon such waiver, any such default shall cease to exist, and any Event of Default with respect to the Securities arising therefrom shall be deemed to have been cured, for every purpose of this Declaration, but no such waiver shall extend to any subsequent or other default or an Event of Default with respect to the Securities or impair any right consequent thereon. Any waiver by the Holders of the Securities of an Event of Default with respect to the Securities shall also be deemed to constitute a waiver by the Holders of the Common Securities of any such Event of Default with respect to the Common Securities for all purposes of this Declaration without any further act, vote, or consent of the Holders of the Common Securities.

(b) The Holders of a Majority in liquidation amount of the Common Securities may, by vote, on behalf of the Holders of all of the Common Securities, waive any past Event of Default with respect to the Common Securities and its consequences; provided, however, that if the underlying Event of Default under the Indenture is not waivable under the Indenture, except where the Holders of the Common Securities are deemed to have waived such Event of Default under the Declaration as provided below in this Section 2.6(b), the Event of Default under the Declaration shall also not be waivable; and

provided, further, that, each Holder of Common Securities will be deemed to have waived any such Event of Default and all Events of Default with respect to the Common Securities and its consequences until all Events of Default with respect to the Securities have been cured, waived or otherwise

eliminated, and until such Events of Default have been so cured, waived or otherwise eliminated, the Institutional Trustee will be deemed to be acting solely on behalf of the Holders of the Securities and only the Holders of the Securities will have the right to direct the Institutional Trustee in accordance with the terms of the Trust Securities. Subject to the foregoing provisions of this Section 2.6(b), upon such waiver, any such default shall cease to exist and any Event of Default with respect to the Common Securities arising therefrom shall be deemed to have been cured for every purpose of this Declaration, but no such waiver shall extend to any subsequent or other default or Event of Default with respect to the Common Securities or impair any right consequent thereon.

(c) A waiver of an Event of Default under the Indenture by the Institutional Trustee at the direction of the Holders of the Securities shall constitute a waiver of the corresponding Event of Default under this Declaration.

SECTION 2.7 Notice of Event of Default.  
-----

The Institutional Trustee shall give notice of any default hereunder to the Holders of Trust Securities in the manner and to the extent required to do so by the Trust Indenture Act, unless such default shall have been cured or waived; provided, however, that in the case of any default hereunder arising out of a default of the character specified in Section 701(c) of the Indenture, no such notice to Holders shall be given until at least seventy-five (75) days after the occurrence thereof; and provided, further, that, subject to the provisions of Section 3.9, the Institutional Trustee shall not be deemed to have knowledge of such default unless either (i) a Responsible Officer of the Institutional Trustee shall have actual knowledge of such default or (ii) the Institutional Trustee shall have received written notice thereof from the Debenture Issuer, the Sponsor, any Regular Trustee or any Holder. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time, or both, would become, an Event of Default.

ARTICLE III  
ORGANIZATION

SECTION 3.1 Name.  
-----

The Trust is named "Washington Water Power Capital I," as such name may be modified from time to time by the Regular Trustees following written notice to the Holders of Securities. The Trust's activities may be conducted under the name of the Trust or any other name deemed advisable by the Regular Trustees.

SECTION 3.2 Office.  
-----

The address of the principal office of the Trust is c/o The Washington Water Power Company, 1411 East Mission Avenue, Spokane, Washington 99202. On ten Business Days' written notice to the Holders of Trust Securities, the Regular Trustees may designate another principal office.

SECTION 3.3 Purpose.  
-----

The exclusive purposes and functions of the Trust are (a) to issue and sell Trust Securities and use the proceeds from such sale to acquire the Debentures, and (b) except as otherwise limited herein, to engage in only those other activities necessary or incidental thereto. The Trust shall not borrow money, issue debt or reinvest proceeds derived from investments, pledge any of its assets, or otherwise undertake (or permit to be undertaken) any activity that would cause the Trust to be treated for United States federal income tax purposes as an association taxable as a corporation.

SECTION 3.4 Authority.  
-----

Subject to the limitations provided in this Declaration and to the specific duties of the Institutional Trustee, the Regular Trustees shall have exclusive and complete authority to carry out the purposes of the Trust. An action taken by the Regular Trustees in accordance with their powers shall constitute the act of and serve to bind the Trust and an action taken by the Institutional Trustee on behalf of the Trust in accordance with its powers shall constitute the act of and serve to bind

the Trust. In dealing with the Trustees acting on behalf of the Trust, no person shall be required to inquire into the authority of the Trustees to bind the Trust. Persons dealing with the Trust are entitled to rely conclusively on the power and authority of the Trustees as set forth in this Declaration.

SECTION 3.5 Title to Property of the Trust.  
-----

Except as provided in Section 3.8 with respect to the Debentures and the Institutional Trustee Account or as otherwise provided in this Declaration, legal title to all assets of the Trust shall be vested in the Trust. The Holders shall not have legal title to any part of the assets of the Trust, but shall have an undivided beneficial interest in the assets of the Trust.

SECTION 3.6 Powers and Duties of the Regular Trustees.  
-----

The Regular Trustees shall have the exclusive power, duty and authority to cause the Trust to engage in the following activities:

(a) to issue and sell the Securities and the Common Securities in accordance with this Declaration; provided, however, that, the Trust may issue no more than one series of Securities and no more than one series of Common Securities and, provided further, that there shall be no interests in the Trust other than the Trust Securities, and the issuance of Trust Securities shall be limited to a simultaneous issuance of both Securities and Common Securities on each Closing Date;

(b) in connection with the issuance and sale of the Securities, at the direction of the Sponsor, to:

(i) execute and file with the Commission the registration statement on Form S-3 prepared by the Sponsor, including any amendments thereto, pertaining to the Securities;

(ii) execute and file any documents prepared by the Sponsor, or take any acts as determined by the Sponsor to be necessary in order to qualify or register all or part of the Securities in any state in which the Sponsor has determined to qualify or register such Securities for sale;

(iii) execute and file an application, prepared by the Sponsor, to The New York Stock Exchange, Inc. or any other national stock exchange or the Nasdaq Stock Market's National Market for listing upon notice of issuance of any Securities;

(iv) execute and file with the Commission a registration statement on Form 8-A, including any amendments thereto, prepared by the Sponsor, relating to the registration of the Securities under Section 12(b) of the Exchange Act; and

(v) execute and enter into the Underwriting Agreement providing for the sale of the Securities;

(c) to acquire the Debentures with the proceeds of the sale of the Securities and the Common Securities; provided, however, that the Regular Trustees shall cause the Debentures to be registered in the name of the Institutional Trustee as a Trustee hereunder;

(d) to give the Sponsor and the Institutional Trustee prompt written notice of the occurrence of a Tax Event; provided, however, that the Regular Trustees shall consult with the Sponsor and the Institutional Trustee before taking or refraining from taking any Ministerial Action in relation to a Tax Event;

(e) to establish a record date with respect to all actions to be taken hereunder that require a record date be established, including and with respect to, for the purposes of

316(c) of the Trust Indenture

Act, Distributions, voting rights, redemptions and exchanges, and to issue relevant notices to the Holders of Securities and Holders of Common Securities as to such actions and applicable record dates;

(f) to take all actions and perform such duties as may be required of the Regular Trustees pursuant to the terms of the Trust Securities;

(g) to bring or defend, pay, collect, compromise, arbitrate, resort to legal action, or otherwise adjust claims or demands of or against the Trust ("Legal Action"), unless pursuant to Section 3.8(e), the Institutional Trustee has the exclusive power to bring such Legal Action;

(h) to employ or otherwise engage employees and agents (who may be designated as officers with titles) and managers, contractors, advisors, and consultants and pay reasonable compensation for such services;

(i) to cause the Trust to comply with the Trust's obligations under the Trust Indenture Act;

314(a)(4) of (j) to give the certificate required by the Trust Indenture Act to the Institutional Trustee, which certificate may be executed by any Regular Trustee;

(k) to incur expenses that are necessary or incidental to carry out any of the purposes of the Trust;

(l) to act as, or appoint another Person to act as, Registrar and Transfer Agent for the Securities or to appoint a Paying Agent for the Trust Securities as provided in Section 7.2;

(m) to give prompt written notice to the Holders of the Trust Securities of any notice received from the Debenture Issuer of its election to defer payments of interest on the Debentures by extending the interest payment period under the Indenture;

(n) to execute all documents or instruments, perform all duties and powers, and do all things for and on behalf of the Trust in all matters necessary or incidental to the foregoing;

(o) to take all action that may be necessary or appropriate for the preservation and the continuation of the Trust's valid existence, rights, franchises and privileges as a statutory business trust under the laws of the State of Delaware and of each other jurisdiction in which such existence is necessary to protect the limited liability of the Holders of the Securities or to enable the Trust to effect the purposes for which the Trust was created;

(p) to take any action, not inconsistent with this Declaration or with applicable law, that the Regular Trustees determine in their discretion to be necessary or desirable in carrying out the activities of the Trust as set out in this Section 3.6, including, but not limited to:

(i) causing the Trust not to be deemed to be an Investment Company required to be registered under the Investment Company Act;

(ii) causing the Trust not to be treated for United States federal income tax purposes as an association taxable as a corporation; and

(iii) cooperating with the Debenture Issuer to ensure that the Debentures will be treated as indebtedness of the Debenture Issuer for United States federal income tax purposes;

provided, however, that such action does not materially and adversely affect the interests of Holders; and

(q) to take all action necessary to cause all applicable tax returns and tax information reports that are required to be filed with respect to the Trust to be duly prepared and filed by the Regular Trustees, on behalf of the Trust.

The Regular Trustees must exercise the powers set forth in this Section 3.6 in a manner that is consistent with the purposes and functions of the Trust set out in Section 3.3, and the Regular Trustees shall not take any action that is inconsistent with the purposes and functions of the Trust set forth in Section 3.3.

Subject to this Section 3.6, the Regular Trustees shall have none



of the powers or the authority of the Institutional Trustee set forth in Section 3.8.

Any expenses incurred by the Regular Trustees pursuant to this Section 3.6 shall be reimbursed by the Debenture Issuer.

SECTION 3.7 Prohibition of Actions by the Trust and the Trustees.  
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The Trust shall not, and the Trustees (including the Institutional Trustee) shall not, engage in any activity other than as required or authorized by this Declaration. In particular, the Trust shall not and the Trustees (including the Institutional Trustee) shall cause the Trust not to:

(i) invest any proceeds received by the Trust from holding the Debentures, but shall distribute all such proceeds to Holders of Trust Securities pursuant to the terms of this Declaration and of the Trust Securities;

(ii) acquire any assets other than as expressly provided herein;

(iii) possess Trust property for other than a Trust purpose;

(iv) make any loans or incur any indebtedness other than loans represented by the Debentures;

(v) possess any power or otherwise act in such a way as to vary the Trust assets or the terms of the Trust Securities in any way whatsoever;

(vi) issue any securities or other evidences of beneficial ownership of, or beneficial interest in, the Trust other than the Trust Securities; or

(vii) other than as provided in this Declaration or Annex I, (A) direct the time, method and place of exercising any trust or power conferred upon the Debenture Trustee with respect to the Debentures, (B) waive any past default that is waivable under the Indenture, (C) exercise any right to rescind or annul any declaration that the principal of all the Debentures shall be immediately due and payable, or (D) consent to any amendment, modification or termination of the Indenture or the Debentures where such consent shall be required unless the Trust shall have received an opinion of counsel to the effect that such modification will not cause more than an insubstantial risk that for United States federal income tax purposes the Trust will be treated as an association taxable as a corporation.

SECTION 3.8 Powers and Duties of the Institutional Trustee.  
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(a) The legal title to the Debentures shall be owned by and held of record in the name of the Institutional Trustee in trust for the benefit of the Holders of the Trust Securities. The right, title and interest of the Institutional Trustee to the Debentures shall vest automatically in each Person who may hereafter be appointed as Institutional Trustee in accordance with Section 5.7. Such vesting and cessation of title shall be effective whether or not conveyancing documents with regard to the Debentures have been executed and delivered.

(b) The Institutional Trustee shall not transfer its right, title and interest in the Debentures to the Regular Trustees or to the Delaware Trustee (it being understood, however, that the entity acting as Institutional Trustee may also act as Delaware Trustee).

(c) The Institutional Trustee shall:

(i) establish and maintain a segregated non-interest bearing trust account (the "Institutional Trustee Account") in the name of and under the exclusive control of the Institutional Trustee on behalf of the Holders of the Trust Securities and, upon the receipt of payments of funds made in respect of the Debentures held by the Institutional Trustee, deposit such funds into the Institutional Trustee Account and make payments to the Holders of the Trust Securities from the Institutional Trustee Account in accordance with Section 6.1. Funds in the Institutional Trustee Account shall be held uninvested until disbursed in accordance with this Declaration. The Institutional Trustee Account shall be an account that is maintained with a banking institution the rating on whose long-term unsecured indebtedness is at least equal to the rating assigned to the Securities by a nationally recognized statistical rating organization, within the meaning of Rule

436(g)(2) under the Securities Act or any successor rule or regulation;

(ii) engage in such ministerial activities as shall be necessary or appropriate to effect the redemption of the Securities and the Common Securities to the extent the Debentures are redeemed or mature; and

(iii) upon written notice of distribution issued by the Regular Trustees in accordance with the terms of the Trust Securities, engage in such ministerial activities as shall be necessary or appropriate to effect the distribution of the Debentures to Holders of Trust Securities upon the occurrence of certain special events (as may be defined in the terms of the Trust Securities) arising from a change in law or a change in legal interpretation or other specified circumstances pursuant to the terms of the Trust Securities.

(d) The Institutional Trustee shall take all actions and perform all duties that may be specifically required of the Institutional Trustee pursuant to the terms of the Trust Securities.

(e) The Institutional Trustee shall take any Legal Action which arises out of or in connection with an Event of Default of which a Responsible Officer of the Institutional Trustee has actual knowledge or the Institutional Trustee's duties and obligations under this Declaration or the Trust Indenture Act, and if such Institutional Trustee shall have failed to take such Legal Action, the Holders of the Securities may take such Legal Action, to the same extent as if such Holders of Securities held a principal amount of Debentures equal to the liquidation amount of such Securities, without first proceeding against the Institutional Trustee or the Trust; provided, however, that if an Event of Default has occurred and is continuing and such event is attributable to the failure of the Debenture Issuer to pay interest or principal on the Debentures on the date such interest or principal is otherwise payable (or in the case of redemption, on the redemption date), then a Holder of Securities may directly institute a proceeding for enforcement of payment to such Holder of the principal of or interest on the Debentures having a principal amount equal to the aggregate liquidation amount of the Securities of such Holder (a "Direct Action") on or after the respective due date specified in the Debentures. In connection with such Direct Action, the rights of the Holders of the Common Securities will be subrogated to the rights of such Holder of Securities to the extent of any payment made by the Issuer to such Holder of Securities in such Direct Action. Except as provided in the preceding sentences, the Holders of Securities will not be able to exercise directly any other remedy available to the holders of the Debentures.

(f) The Institutional Trustee shall not resign as a Trustee unless either:

(i) the Trust has been completely liquidated and the proceeds of the liquidation distributed to the Holders of Trust Securities pursuant to the terms of the Trust Securities; or

(ii) a Successor Institutional Trustee has been appointed and has accepted that appointment in accordance with Section 5.7.

(g) The Institutional Trustee shall have the legal power to exercise all of the rights, powers and privileges of a holder of Debentures under the Indenture and, if an Event of Default actually known to a Responsible Officer of the Institutional Trustee occurs and is continuing, the Institutional Trustee shall, for the benefit of Holders of the Trust Securities, enforce its rights as holder of the Debentures subject to the rights of the Holders pursuant to the terms of such Trust Securities.

(h) The Institutional Trustee shall be authorized to undertake all actions set forth in Section 317(a) of the Trust Indenture Act.

(i) The Institutional Trustee may, with the consent of the Regular Trustees, authorize one or more Persons (each, a "Paying Agent") to pay Distributions, redemption payments or liquidation payments on behalf of the Trust with respect to all Trust Securities and any such Paying Agent shall comply with Section 317(b) of the Trust Indenture Act. Any Paying Agent may be removed by the Institutional Trustee at any time and a successor Paying Agent or additional Paying Agents may be appointed at any time by the Institutional Trustee.

(j) Subject to this Section 3.8, the Institutional Trustee shall have none of the duties, liabilities, powers or the authority of the Regular Trustees set forth in Section 3.6.

The Institutional Trustee must exercise the powers set forth in

this Section 3.8 in a manner that is consistent with the purposes and functions of the Trust set out in Section 3.3, and the Institutional Trustee shall not take any action that is inconsistent with the purposes and functions of the Trust set out in Section 3.3.

SECTION 3.9 Certain Duties and Responsibilities.  
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(a) The Institutional Trustee, before the occurrence of any Event of Default and after the curing of all Events of Default that may have occurred, shall undertake to perform only such duties as are specifically set forth in this Declaration and in the terms of the Trust Securities and no implied covenants shall be read into this Declaration against the Institutional Trustee. In case an Event of Default has occurred (that has not been cured or waived), the Institutional Trustee shall exercise such of the rights and powers vesting in it by this Declaration, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

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

(i) prior to the occurrence of an Event of Default and after the curing or waiving of all such Events of Default that may have occurred:

(A) the duties and obligations of the Institutional Trustee shall be determined solely by the express provisions of this Declaration and in the terms of the Trust Securities, and the Institutional Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Declaration, and no implied covenants or obligations shall be read into this Declaration against the Institutional Trustee; and

(B) in the absence of bad faith on the part of the Institutional Trustee, the Institutional 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 Institutional Trustee and conforming to the requirements of this Declaration; provided, however, that in the case of any such certificates or opinions that by any provision hereof are specifically required to be furnished to the Institutional Trustee, the Institutional Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Declaration;

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

(iii) the Institutional 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 at least a Majority in liquidation amount of the outstanding Trust Securities relating to the time, method and place of conducting any proceeding for any remedy available to the Institutional Trustee or exercising any trust or power conferred upon the Institutional Trustee under this Declaration;

(iv) no provision of this Declaration shall require any of the Trustees to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it;

(v) the Institutional Trustee's sole duty with respect to the custody, safe keeping and physical preservation of the Trust Property shall be to deal with such property in a similar manner as the Institutional Trustee deals with similar property for its own account, subject to the protections and limitations on liability afforded to the Institutional Trustee under this Declaration, the Trust Indenture Act and, to the extent applicable, Rule 3a-7 under the Investment Company Act;

(vi) the Institutional Trustee shall have no duty or liability for, or with respect to the value, genuineness, existence or sufficiency of, the Trust Property or the payment of any taxes or assessments levied thereon or in connection therewith;

(vii) the Institutional Trustee shall not be liable for any interest on any money received by it except as it may otherwise agree with the Sponsor. Money held by the Institutional Trustee need not be segregated from other funds held by it except in relation to the Institutional Trustee Account established by the Institutional Trustee pursuant to this Declaration and except to the extent otherwise required by law; and

(viii) the Institutional Trustee shall not be responsible for monitoring the compliance by the Regular Trustees or the Sponsor with their respective duties under this Declaration, nor shall the Institutional Trustee be liable for the default or misconduct of the Regular Trustees or the Sponsor.

(c) All payments made by the Institutional Trustee or a Paying Agent in respect of the Trust Securities shall be made only from the income and proceeds from the Trust Property to enable the Institutional Trustee or Paying Agent to make payments in accordance with the terms hereof. Each Holder, by its acceptance of a Trust Security, agrees that it will look solely to the income and proceeds from the Trust Property to the extent available for distribution to it as herein provided and that the Trustees are not personally liable to it for any amount distributable in respect of any Trust Security or for any other liability in respect of any Trust Security. This Section 3.9(c) does not limit the liability of the Trustees expressly set forth elsewhere in this Declaration or, in the case of the Institutional Trustee, in the Trust Indenture Act.

(d) No Regular Trustee shall be liable for any act or omission to act hereunder, except for its own gross negligence or wilful misconduct.

#### SECTION 3.10 Certain Rights of Institutional Trustee.

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Subject to the provisions of Section 3.9 and to the applicable provisions of the Trust Indenture Act:

(a) the Institutional Trustee may rely and shall be protected in acting or refraining from acting in good faith upon any resolution, opinion of counsel, certificate, written representation of a Holder or transferee, certificate of auditors or any other certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, appraisal, bond, debenture, note, other evidence of indebtedness or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) if (A) in performing its duties under this Declaration the Institutional Trustee is required to decide between alternative courses of action or (B) in construing any of the provisions in this Declaration the Institutional Trustee finds the same ambiguous or inconsistent with any other provisions contained herein or (C) the Institutional Trustee is unsure of the application of any provision of this Declaration, then, except as to any matter as to which the Holders of Securities are entitled to vote under the terms of this Declaration, the Institutional Trustee shall deliver a notice to the Sponsor requesting written instructions of the Sponsor as to the course of action to be taken. The Institutional Trustee shall take such action, or refrain from taking such action, as the Institutional Trustee shall be instructed in writing to take, or to refrain from taking, by the Sponsor; provided, however, that if the Institutional Trustee does not receive such instructions of the Sponsor within 10 Business Days after it has delivered such notice, or such reasonably shorter period of time set forth in such notice (which to the extent practicable shall not be less than 2 Business Days), it may, but shall be under no duty to, take or refrain from taking such action not inconsistent with this Declaration as it shall deem advisable and in the best interests of the Holders, in which event the Institutional Trustee shall have no liability except for its own bad faith, negligence or wilful misconduct;

(c) whenever in the administration of this Declaration the Institutional Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Institutional Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part,

request and rely upon an Officer's Certificate;

(d) the Institutional Trustee may consult with counsel of its selection, and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Institutional Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Declaration at the request or direction of any of the Holders pursuant to this Declaration, unless such Holders shall have offered to the Institutional Trustee reasonable security or indemnity against the costs, expenses (including reasonable attorneys' fees and expenses) and liabilities which might be incurred by it in complying with such request or direction;

(f) the Institutional 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, approval, bond, debenture, note or other evidence of indebtedness or other paper or document reasonably believed by it to be genuine, unless requested in writing to do so by one or more Holders, but the Institutional Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit;

(g) the Institutional Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through its agents or attorneys, and the Institutional Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder; provided, however, that the Institutional Trustee shall be responsible for its own negligence or recklessness with respect to selection of any agent or attorney appointed by it hereunder;

(h) the Institutional 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 Declaration;

(i) the Institutional Trustee shall not be charged with knowledge of any default or Event of Default with respect to the Trust Securities unless either (A) a Responsible Officer of the Institutional Trustee shall have actual knowledge of the default or Event of Default or (B) written notice of such default or Event of Default shall have been given to the Institutional Trustee by the Sponsor, the Regular Trustees or any Holder;

(j) no provision of this Declaration shall be deemed to impose any duty or obligation on the Institutional Trustee to perform any act or acts or exercise any right, power, duty or obligation conferred or imposed on it in any jurisdiction in which it shall be illegal, or in which the Institutional Trustee shall be unqualified or incompetent in accordance with applicable law, to perform any such act or acts or to exercise any such right, power, duty or obligation; and no permissive or discretionary power or authority available to the Institutional Trustee shall be construed to be a duty;

(k) no provision of this Declaration shall require the Institutional Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if the Institutional Trustee shall have reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to it under the terms of this Declaration or adequate indemnity against such risk or liability is not reasonably assured to it;

(l) the Institutional Trustee shall have no duty to see to any recording, filing or registration of any instrument (including any financing or continuation statement or any securities) (or any rerecording, refiling or reregistration thereof);

(m) the Institutional Trustee shall have the right at any time to seek instructions concerning the administration of this Declaration from any court of competent jurisdiction; and

(n) whenever in the administration of this Declaration the Institutional Trustee shall deem it desirable to receive instructions with respect to enforcing any remedy or right or taking any other action hereunder, the Institutional Trustee (A) may request

instructions from the Holders, which instructions may only be given by the Holders of the same amount of the Trust Securities as would be entitled to direct the Institutional Trustee under the terms of this Declaration in respect of such remedies, rights or actions, (B) may refrain from enforcing such remedy or right or taking such other action until such instructions are received, and (C) shall be protected in acting in accordance with such instructions.

SECTION 3.11 Delaware Trustee.  
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Notwithstanding any other provision of this Declaration other than Section 5.2, the Delaware Trustee shall not be entitled to exercise any powers, nor shall the Delaware Trustee have any of the duties and responsibilities of the Regular Trustees or the Institutional Trustee described in this Declaration. Except as set forth in Section 5.2, the Delaware Trustee shall be a trustee for the sole and limited purpose of fulfilling the requirements of Section 3807 of the Business Trust Act.

SECTION 3.12 Execution of Documents.  
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Unless otherwise determined by the Regular Trustees, and except as otherwise required by the Business Trust Act, a majority of or, if there are only two, any Regular Trustee or, if there is only one, such Regular Trustee is authorized to execute on behalf of the Trust any documents that the Regular Trustees have the power and authority to execute pursuant to Section 3.6; provided that, the registration statement referred to in

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Section 3.6(b)(i), including any amendments thereto, shall be signed by all of the Regular Trustees.

SECTION 3.13 Not Responsible for Recitals or Issuance of Trust  
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Securities.  
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The recitals contained in this Declaration and the Securities shall be taken as the statements of the Sponsor, and the Trustees do not assume any responsibility for their correctness. The Trustees make no representations as to the value or condition of the property of the Trust or any part thereof. The Trustees make no representations as to the validity or sufficiency of this Declaration or the Trust Securities.

SECTION 3.14 Duration of Trust.  
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The Trust, unless terminated pursuant to the provisions of Article VIII hereof, shall have existence for forty-five (45) years from the Closing Date.

SECTION 3.15 Mergers.  
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(a) The Trust may not merge, consolidate or amalgamate with or into, or enter into any other business combination with, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to any corporation or other body, except as described in Section 3.15(b) and (c).

(b) The Trust may, with the consent of the Regular Trustees or, if there are more than two, a majority of the Regular Trustees and without the consent of the Holders of the Trust Securities, the Delaware Trustee or the Institutional Trustee, merge, consolidate or amalgamate with or into, or enter into any other business combination with, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to, a trust organized as such under the laws of any state; provided, however, that:

(i) such successor entity (the "Successor Entity") either:

(A) expressly assumes all of the obligations of the Trust under the Trust Securities; or

(B) substitutes for the Trust Securities other securities having substantially the same terms as the Securities (the "Successor Securities") so long as the Successor Securities rank the same as the Securities rank with respect to Distributions and

payments upon liquidation, redemption and otherwise;

(ii) the Debenture Issuer expressly appoints a trustee of the Successor Entity that possesses the same powers and duties as the Institutional Trustee as the Holder of the Debentures;

(iii) the Securities or any Successor Securities are listed, or any Successor Securities will be listed upon notification of issuance, on any national securities exchange or with another organization on which the Securities are then listed or quoted, if any;

(iv) such merger, consolidation, amalgamation, other business combination, replacement, conveyance, transfer or lease does not cause the Securities (including any Successor Securities) to be downgraded by any nationally recognized statistical rating organization within the meaning of Rule 436(g)(12) under the Securities Act or any successor rule or regulation;

(v) such merger, consolidation, amalgamation, other business combination, replacement, conveyance, transfer or lease does not adversely affect the rights, preferences and privileges of the Holders of the Trust Securities (including any Successor Securities) in any material respect (other than with respect to any dilution of such Holders' interests in the Securities as a result of such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease);

(vi) such Successor Entity has a purpose identical to that of the Trust;

(vii) prior to such merger, consolidation, amalgamation, other business combination, replacement, conveyance, transfer or lease, the Sponsor has received an opinion of counsel to the effect that:

(A) such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not adversely affect the rights, preferences and privileges of the Holders of the Trust Securities (including any Successor Securities) in any material respect (other than with respect to any dilution of the Holders' interest in the new entity);

(B) following such merger, consolidation, amalgamation, other business combination, replacement, conveyance, transfer or lease, neither the Trust nor the Successor Entity will be required to register as an Investment Company; and

(C) following such merger, consolidation, amalgamation, other business combination, replacement, conveyance, transfer or lease the Trust (or the Successor Entity) will continue not to be treated as an association taxable as a corporation for United States federal income tax purposes; and

(viii) the Sponsor or any permitted successor guarantees the obligations of such Successor Entity under the Successor Securities at least to the extent provided by the Securities Guarantee.

(c) Notwithstanding Section 3.15(b), the Trust shall not, except with the consent of Holders of 100% in liquidation amount of the Trust Securities, merge, consolidate or amalgamate with or into, enter into any other business combination with or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to, any other entity or permit any other entity to merge, consolidate or amalgamate, merge with or into, enter into any other business combination with or replace it if such merger, consolidation, amalgamation, other business combination, replacement, conveyance, transfer or lease would cause the Trust or Successor Entity to be treated as an association taxable as a corporation for United States federal income tax purposes.

ARTICLE IV  
SPONSOR

SECTION 4.1 Sponsor's Purchase of Common Securities.  
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On the Closing Date the Sponsor will purchase all of the Common Securities issued by the Trust, in an amount at least equal to 3% of the capital of the Trust, at the same time as the Securities are sold.

SECTION 4.2 Responsibilities of the Sponsor.

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In connection with the issuance and sale of the Securities, the Sponsor shall have the exclusive right and responsibility to engage in the following activities:

(a) to prepare for filing by the Trust with the Commission a registration statement on Form S-3 in relation to the Securities, including any amendments thereto;

(b) to determine the states in which to take appropriate action to qualify or register for sale all or part of the Securities and to do any and all such acts, other than actions which must be taken by the Trust, and advise the Trust of actions it must take, and prepare for execution and filing any documents to be executed and filed by the Trust, as the Sponsor deems necessary or advisable in order to comply with the applicable laws of any such states;

(c) to prepare for filing by the Trust an application to the New York Stock Exchange or any other national stock exchange or the Nasdaq National Market for listing upon notice of issuance of any Securities;

(d) to prepare for filing by the Trust with the Commission a registration statement on Form 8-A relating to the registration of the Securities under Section 12(b) of the Exchange Act, including any amendments thereto; and

(e) to negotiate the terms of the Underwriting Agreement providing for the sale of the Securities.

ARTICLE V  
TRUSTEES

SECTION 5.1      Number of Trustees.  
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The number of Trustees initially shall be three (3), and:

(a) at any time before the issuance of any Securities, the Sponsor may, by written instrument, increase or decrease the number of Trustees; and

(b) after the issuance of any Trust Securities, the number of Trustees may be increased or decreased by vote of the Holders of a majority in liquidation amount of the Common Securities voting as a class at a meeting of the Holders of the Common Securities; provided, however, that the number of Trustees shall in no event be less than two (2); and provided, further, that, (1) there shall be at least one Trustee who is an employee or officer of, or is affiliated with the Sponsor (a "Regular Trustee"); (2) one Trustee shall be the Institutional Trustee for so long as this Declaration is required to qualify as an indenture under the Trust Indenture Act, and such Trustee may also serve as Delaware Trustee if it meets the applicable requirements; and (3) there shall be a Delaware Trustee to the extent required under Section 5.2.

SECTION 5.2      Delaware Trustee.  
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If required by the Business Trust Act, one Trustee (the "Delaware Trustee") shall be:

(a) a natural person who is a resident of the state of Delaware; or

(b) if not a natural person, an entity which has its principal place of business in the State of Delaware, and otherwise meets the requirements of applicable law;

provided, however, that if the Institutional Trustee has its principal place of business in the State of Delaware and otherwise meets the requirements of applicable law, then the Institutional Trustee may also be the Delaware Trustee and Section 3.11 shall have no application.

SECTION 5.3      Institutional Trustee; Eligibility.  
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(a) There shall at all times be one Trustee which shall act as



"Institutional Trustee" which shall be:

(i) not an Affiliate of the Sponsor; and

(ii) a corporation organized and doing business under the laws of the United States, any state or territory thereof or the District of Columbia, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000) and subject to supervision or examination by federal, state, territorial or District of Columbia authority, or

(iii) if and to the extent permitted by the Commission by rule, regulation or order upon application, a corporation or other Person organized and doing business under the laws of a foreign government, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000) or the United States Dollar equivalent of the applicable foreign currency and subject to supervision or examination by authority of such foreign government or a political subdivision thereof substantially equivalent to supervision or examination applicable to United States institutional trustees,

and, in either case, qualified and eligible under this Article and the Trust Indenture Act. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of such supervising or examining authority, then for the purposes of this Section, 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.

(b) If at any time the Institutional Trustee shall cease to be eligible to so act under Section 5.3(a), the Institutional Trustee shall immediately resign in the manner and with the effect set forth in Section 5.7(c).

(c) If the Institutional Trustee has or shall acquire any "conflicting interest" within the meaning of Section 310(b) of the Trust Indenture Act, the Institutional Trustee and the Holder of the Common Securities (as if it were the obligor referred to in Section 310(b) of the Trust Indenture Act) shall in all respects comply with the provisions of Section 310(b) of the Trust Indenture Act.

(d) The Securities Guarantee shall be deemed to be specifically described in this Declaration for purposes of clause (i) of the first provision contained in Section 310(b) of the Trust Indenture Act.

(e) The initial Institutional Trustee shall be:

Wilmington Trust Company.

SECTION 5.4 Certain Qualifications of Regular Trustees and Delaware Trustee Generally.  
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Each Regular Trustee and the Delaware Trustee (unless the Institutional Trustee also acts as Delaware Trustee) shall be either a natural person who is at least 21 years of age or a legal entity that shall act through one or more Authorized Officers.

SECTION 5.5 Regular Trustees.  
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The initial Regular Trustees shall be:

Lawrence J. Pierce  
Dorothy K. Mercer.

(a) Except as expressly set forth in this Declaration and except if a meeting of the Regular Trustees is called with respect to any matter over which the Regular Trustees have power to act, any power of the Regular Trustees may be exercised by, or with the consent of, any one such Regular Trustee.

(b) Unless otherwise determined by the Regular Trustees, and except as otherwise required by the Business Trust Act or applicable law, any Regular Trustee is authorized to execute on behalf of the Trust any documents which the Regular Trustees have the power and authority to cause the Trust to execute pursuant to Section 3.6, provided, however, that the registration statement referred to in Section 3.6, including any amendments

thereto, shall be signed by all of the Regular Trustees.

(c) A Regular Trustee may, by power of attorney consistent with applicable law, delegate to any other natural person over the age of 21 his or her power for the purposes of signing any documents which the Regular Trustees have power and authority to cause the Trust to execute pursuant to Section 3.6.

SECTION 5.6 Delaware Trustee.  
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The initial Delaware Trustee shall be:

Wilmington Trust Company.

SECTION 5.7 Appointment, Removal and Resignation of Trustees.  
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(a) Subject to Section 5.7(b), Trustees may be appointed or removed without cause at any time except during an Event of Default:

(i) until the issuance of any Securities, by written instrument executed by the Sponsor; and

(ii) after the issuance of any Securities, by vote of the Holders of a Majority in liquidation amount of the Common Securities voting as a class at a meeting of the Holders of the Common Securities.

(b) (i) The Institutional Trustee shall not be removed in accordance with Section 5.7(a) until a Successor Institutional Trustee has been appointed and has accepted such appointment by written instrument executed by such Successor Institutional Trustee and delivered to the Regular Trustees and the Sponsor; and

(ii) the Delaware Trustee shall not be removed in accordance with this Section 5.7(a) until a successor Trustee possessing the qualifications to act as Delaware Trustee under Sections 5.2 and 5.4 (a "Successor Delaware Trustee") has been appointed and has accepted such appointment by written instrument executed by such Successor Delaware Trustee and delivered to the Regular Trustees and the Sponsor.

(c) A Trustee appointed to office shall hold office until his successor shall have been appointed or until his death, removal or resignation. Any Trustee may resign from office (without need for prior or subsequent accounting) by an instrument in writing signed by the Trustee and delivered to the Sponsor and the Trust, which resignation shall take effect upon such delivery or upon such later date as is specified therein; provided, however, that:

(i) no such resignation of the Institutional Trustee shall be effective:

(A) until a Successor Institutional Trustee has been appointed and has accepted such appointment by instrument executed by such Successor Institutional Trustee and delivered to the Trust, the Sponsor and the resigning Institutional Trustee; or

(B) until the assets of the Trust have been completely liquidated and the proceeds thereof distributed to the holders of the Trust Securities; and

(ii) no such resignation of the Delaware Trustee shall be effective until a Successor Delaware Trustee has been appointed and has accepted such appointment by instrument executed by such Successor Delaware Trustee and delivered to the Trust, the Sponsor and the resigning Delaware Trustee.

(d) The Holders of the Common Securities shall use all reasonable efforts to promptly appoint a Successor Delaware Trustee or Successor Institutional Trustee as the case may be if the Institutional Trustee or the Delaware Trustee delivers an instrument of resignation in accordance with this Section 5.7.

(e) If no Successor Institutional Trustee or Successor Delaware Trustee shall have been appointed and accepted appointment as provided in this Section 5.7 within 60 days after delivery of an instrument of resignation or removal, the Institutional Trustee or Delaware Trustee resigning or being removed, as applicable, may petition any court of

competent jurisdiction for appointment of a Successor Institutional Trustee or Successor Delaware Trustee. Such court may thereupon, after prescribing such notice, if any, as it may deem proper and prescribe, appoint a Successor Institutional Trustee or Successor Delaware Trustee, as the case may be.

(f) No Institutional Trustee or Delaware Trustee shall be liable for the acts or omissions to act of any Successor Institutional Trustee or Successor Delaware Trustee, as the case may be.

SECTION 5.8 Vacancies among Trustees.  
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If a Trustee ceases to hold office for any reason and the number of Trustees is not reduced pursuant to Section 5.1, or if the number of Trustees is increased pursuant to Section 5.1, a vacancy shall occur. A resolution certifying the existence of such vacancy by the Regular Trustees or, if there are more than two, a majority of the Regular Trustees shall be conclusive evidence of the existence of such vacancy. The vacancy shall be filled with a Trustee appointed in accordance with Section 5.7.

SECTION 5.9 Effect of Vacancies.  
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The death, resignation, retirement, removal, bankruptcy, dissolution, liquidation, incompetence or incapacity to perform the duties of a Trustee shall not operate to annul the Trust. Whenever a vacancy in the number of Regular Trustees shall occur, until such vacancy is filled by the appointment of Regular Trustee in accordance with Section 5.7, the Regular Trustees in office, regardless of their number, shall have all the powers granted to the Regular Trustees and shall discharge all the duties imposed upon the Regular Trustees by this Declaration.

SECTION 5.10 Meetings.  
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If there is more than one Regular Trustee, meetings of the Regular Trustees shall be held from time to time upon the call of any Regular Trustee. Regular meetings of the Regular Trustees may be held at a time and place fixed by resolution of the Regular Trustees. Notice of any in-person meetings of the Regular Trustees shall be hand delivered or otherwise delivered in writing (including by facsimile, with a hard copy by overnight courier) not less than 48 hours before such meeting. Notice of any telephonic meetings of the Regular Trustees or any committee thereof shall be hand delivered or otherwise delivered in writing (including by facsimile, with a hard copy by overnight courier) not less than 24 hours before a meeting. Notices shall contain a brief statement of the time, place and anticipated purposes of the meeting. The presence (whether in person or by telephone) of a Regular Trustee at a meeting shall constitute a waiver of notice of such meeting except where a Regular Trustee attends a meeting for the express purpose of objecting to the transaction of any activity on the ground that the meeting has not been lawfully called or convened. Unless provided otherwise in this Declaration, any action of the Regular Trustees may be taken at a meeting by vote of a majority of the Regular Trustees present (whether in person or by telephone) and eligible to vote with respect to such matter, provided that a Quorum is present, or without a meeting by the unanimous written consent of the Regular Trustees. In the event there is only one Regular Trustee, any and all action of such Regular Trustee shall be evidenced by a written consent of such Regular Trustee.

SECTION 5.11 Delegation of Power.  
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(a) Any Regular Trustee may, by power of attorney consistent with applicable law, delegate to any other natural person over the age of 21 his or her power for the purpose of executing any documents contemplated in Section 3.6, including any registration statement or amendment thereto filed with the Commission, or making any other governmental filing; and

(b) the Regular Trustees shall have power to delegate from time to time to such of their number or to officers of the Trust the doing of such things and the execution of such instruments either in the name of the Trust or the names of the Regular Trustees or otherwise as the Regular Trustees may deem expedient, to the extent such delegation is not prohibited by applicable law or contrary to the provisions of the Trust, as set forth herein.

Section 5.12 Merger, Conversion, Consolidation or Succession to  
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Business.

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

ARTICLE VI  
DISTRIBUTIONS

SECTION 6.1 Distributions.  
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Holders shall receive Distributions (as defined herein) in accordance with the applicable terms of the Trust Securities. Distributions shall be made on the Securities and the Common Securities in accordance with the preferences set forth in their respective terms. If and to the extent that the Debenture Issuer makes a payment of interest (including Compounded Interest (as defined in the Indenture) and Additional Interest (as defined in the Indenture)), premium and/or principal on the Debentures held by the Institutional Trustee (the amount of any such payment being a "Payment Amount"), the Institutional Trustee shall and is directed, to the extent funds are available for that purpose, to make a distribution (a "Distribution") of the Payment Amount to Holders.

ARTICLE VII  
ISSUANCE OF SECURITIES

SECTION 7.1 General Provisions Regarding Trust Securities.  
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(a) The Regular Trustees shall on behalf of the Trust issue one class of securities representing undivided beneficial interests in the assets of the Trust having such terms as are set forth in Annex I (the "Securities") and one class of common securities representing undivided beneficial interests in the assets of the Trust having such terms as are set forth in Annex I (the "Common Securities"). The Trust shall issue no securities or other interests in the assets of the Trust other than the Securities and the Common Securities.

(b) The Certificates shall be signed on behalf of the Trust by a Regular Trustee. Such signature shall be the manual or facsimile signature of any present or any future Regular Trustee. In case any Regular Trustee of the Trust who shall have signed any of the Trust Securities shall cease to be such Regular Trustee before the Certificates so signed shall be delivered by the Trust, such Certificates nevertheless may be delivered as though the person who signed such Certificates had not ceased to be such Regular Trustee; and any Certificate may be signed on behalf of the Trust by such persons who, at the actual date of execution of such Trust Security, shall be the Regular Trustees of the Trust, although at the date of the execution and delivery of the Declaration any such person was not such a Regular Trustee. Certificates shall be printed, lithographed or engraved or may be produced in any other manner as is reasonably acceptable to the Regular Trustees, as evidenced by their execution thereof, and may have such letters, numbers or other marks of identification or designation and such legends or endorsements as the Regular Trustees may deem appropriate, or as may be required to comply with any law or with any rule or regulation of any stock exchange on which Trust Securities may be listed, or to conform to usage.

(c) The consideration received by the Trust for the issuance of the Trust Securities shall constitute a contribution to the capital of the Trust and shall not constitute a loan to the Trust.

(d) Upon issuance of the Trust Securities as provided in this Declaration and the receipt of the consideration to be received therefor, the Trust Securities so issued shall be deemed to be validly issued, fully paid and non-assessable.

(e) Every Person, by virtue of having become a Holder or a Security Beneficial Owner in accordance with the terms of this Declaration,

shall be deemed to have expressly assented and agreed to the terms of, and shall be bound by, this Declaration.

SECTION 7.2      Paying Agent.  
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The Trust shall appoint a paying agent (the "Paying Agent") and may appoint one or more additional paying agents in such other locations as it shall determine. The term "Paying Agent" includes any additional paying agent. The Trust may change any Paying Agent without prior notice to any Holder. The Trust shall notify the Institutional Trustee of the name and address of any Agent not a party to this Declaration. If the Trust fails to appoint or maintain another entity as Paying Agent, the Institutional Trustee shall act as such. The Trust or any of its Affiliates may act as Paying Agent. Wilmington Trust Company shall initially act as Paying Agent for the Securities and the Common Securities.

ARTICLE VIII  
TERMINATION OF TRUST

SECTION 8.1      Termination of Trust.  
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(a) The Trust shall terminate:

(i) upon the occurrence of an Event of Default described in clause (d) or (e) of Section 701 of the Indenture;

(ii) upon the filing of a certificate of dissolution or its equivalent with respect to the Sponsor; the filing of a certificate of cancellation with respect to the Trust after having obtained the consent of a majority in liquidation amount of the Trust Securities voting together as a single class to file such certificate of cancellation; or the revocation of the Sponsor's charter and the expiration of 90 days after the date of revocation without a reinstatement thereof;

(iii) upon the entry of a decree of judicial dissolution of the Holder of the Common Securities, the Sponsor or the Trust;

(iv) when all of the Trust Securities shall have been called for redemption and the amounts necessary for redemption thereof shall have been paid to the Holders in accordance with the terms of the Trust Securities;

(v) upon the occurrence and continuation of a Tax Event in connection with which the Trust shall have been dissolved in accordance with the terms of the Trust Securities and all of the Debentures endorsed thereon shall have been distributed to the Holders of Securities in exchange for all of the Trust Securities; or

(vi) before the issuance of any Trust Securities, with the consent of all of the Regular Trustees and the Sponsor.

(b) As soon as is practicable after the occurrence of an event referred to in Section 8.1(a), the Trustees shall file a certificate of cancellation with the Secretary of State of the State of Delaware.

(c) The provisions of Section 3.9 and Article X shall survive the termination of the Trust except as contemplated in Section 1005 of the Indenture.

ARTICLE IX  
TRANSFER OF INTERESTS

SECTION 9.1      Transfer of Trust Securities.  
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(a) Trust Securities may only be transferred, in whole or in part, in accordance with the terms and conditions set forth in this Declaration and in the terms of the Trust Securities. Any transfer or purported transfer of any Trust Security not made in accordance with this Declaration shall be null and void.

(b) Subject to this Article IX, Securities shall be freely transferable.

(c) The Securities are to be initially registered in the name

of Cede & Co., as nominee for The Depository Trust Company (the "Depository") and the Security Certificates so initially registered shall bear such legends as required by the Depository. Such Securities shall not be transferable or exchangeable, nor shall any purported transfer be registered, except as follows:

(i) such Securities may be transferred in whole, and appropriate registration of transfer effected, if such transfer is by such nominee to the Depository, or by the Depository to another nominee thereof, or by any nominee of the Depository to any other nominee thereof, or by the Depository or any nominee thereof to any successor securities depository or any nominee thereof; and

(ii) such Securities shall be exchanged for Securities Certificates registered in the respective names of the beneficial holders thereof, and thereafter shall be transferable without restriction, if:

(A) the Depository, or any successor securities depository, shall have notified the Company and the Institutional Trustee that it is unwilling or unable to continue to act as securities depository with respect to such Securities and the Institutional Trustee shall not have been notified by the Company within ninety (90) days of the identity of a successor securities depository with respect to such Securities;

(B) the Company shall have delivered to the Institutional Trustee an Officer's Certificate to the effect that such Securities shall be so exchangeable on and after a date specified therein; or

(C) (1) an Event of Default shall have occurred and be continuing, (2) the Institutional Trustee shall have given notice of such Event of Default pursuant to Section 2.7 of this Declaration and (3) there shall have been delivered to the Company and the Institutional Trustee an opinion of counsel to the effect that the interests of the beneficial owners of such Securities in respect thereof will be materially impaired unless such owners become Holders of Securities Certificates.

(d) The Sponsor shall maintain 100% direct ownership of the Common Securities by the Sponsor or any Affiliate thereof, except as otherwise provided in Section 1005 of the Indenture.

SECTION 9.2      Transfer of Certificates.  
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The Regular Trustees shall provide for the registration of Certificates and of transfers of Certificates, which will be effected without charge but only upon payment (with such indemnity as the Regular Trustees may reasonably require) in respect of any documentary stamp tax or other similar governmental charges that may be imposed in relation to it. Upon surrender for registration of transfer of any Certificate, the Regular Trustees shall cause one or more new Certificates to be issued in the name of the designated transferee or transferees. Every Certificate surrendered for registration of transfer shall be accompanied by a written instrument of transfer in form satisfactory to the Regular Trustees duly executed by the Holder or such Holder's attorney duly authorized in writing. Each Certificate surrendered for registration of transfer shall be canceled by the Regular Trustees. A transferee of a Certificate shall be entitled to the rights and be subject to the obligations of a Holder hereunder upon the receipt by such transferee of a Certificate. By acceptance of a Certificate, each transferee shall be deemed to have agreed to be bound by this Declaration.

SECTION 9.3      Deemed Trust Security Holders.  
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The Trustees may treat the Person in whose name any Certificate shall be registered on the books and records of the Trust as the sole holder of such Certificate and of the Trust Securities represented by such Certificate for purposes of receiving Distributions and for all other purposes whatsoever and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such Certificate or in the Trust Securities represented by such Certificate on the part of any Person, whether or not the Trust shall have actual or other notice thereof.

SECTION 9.4      Security Certificates.  
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(a) Security Certificates shall be prepared by the Regular Trustees on behalf of the Trust with respect to such Securities; and

(b) Security Certificates shall be printed, lithographed or engraved or may be produced in any other manner as is reasonably acceptable to the Regular Trustees, as evidenced by their execution thereof, and may have such letters, numbers or other marks of identification or designation and such legends or endorsements as the Regular Trustees may deem appropriate, or as may be required to comply with any law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which Securities may be listed, or to conform to usage.

SECTION 9.5 Mutilated, Destroyed, Lost or Stolen Certificates.  
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If:

(a) any mutilated Certificates should be surrendered to the Regular Trustees, or if the Regular Trustees shall receive evidence to their satisfaction of the destruction, loss or theft of any Certificate; and

(b) there shall be delivered to the Regular Trustees such security or indemnity as may be required by them to keep each of them harmless,

then, in the absence of notice that such Certificate shall have been acquired by a person purporting to be a bona fide purchaser, any Regular Trustee on behalf of the Trust shall execute and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Certificate, a new Certificate of like denomination. In connection with the issuance of any new Certificate under this Section 9.5, the Regular Trustees may require the payment of a sum sufficient to cover any documentary stamp tax or other similar governmental charge that may be imposed in connection therewith. Any duplicate Certificate issued pursuant to this Section shall constitute conclusive evidence of an ownership interest in the relevant Securities, as if originally issued, whether or not the lost, stolen or destroyed Certificate shall be found at any time.

ARTICLE X  
LIMITATION OF LIABILITY OF  
HOLDERS OF TRUST SECURITIES, TRUSTEES OR OTHERS

SECTION 10.1 Liability.  
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(a) Except as expressly set forth in this Declaration, the Guarantees and the terms of the Securities, the Sponsor shall not be:

(i) personally liable for the return of any portion of the capital contributions (or any return thereon) of the Holders of the Trust Securities which shall be made solely from assets of the Trust; or

(ii) required to pay to the Trust or to any Holder of Trust Securities any deficit upon dissolution of the Trust or otherwise.

(b) The Sponsor shall be liable for all of the debts and obligations of the Trust (other than with respect to the Securities) to the extent not satisfied out of the Trust's assets.

(c) Pursuant to Section 3803(a) of the Business Trust Act, the Holders of the Securities shall be entitled to the same limitation of personal liability extended to stockholders of private corporations for profit organized under the General Corporation Law of the State of Delaware.

SECTION 10.2 Exculpation.  
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(a) No Indemnified Person shall be liable, responsible or accountable in damages or otherwise to the Trust or any Covered Person for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Indemnified Person in good faith on behalf of the Trust and in a manner such Indemnified Person reasonably believed to be within the scope of the authority conferred on such Indemnified Person by this Declaration or by law, except that an Indemnified Person shall be

liable for any such loss, damage or claim incurred by reason of such Indemnified Person's gross negligence or willful misconduct with respect to such acts or omissions.

(b) An Indemnified Person shall be fully protected in relying in good faith upon the records of the Trust and upon such information, opinions, reports or statements presented to the Trust by any Person as to matters the Indemnified Person reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Trust, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, profits, losses, or any other facts pertinent to the existence and amount of assets from which Distributions to Holders of Trust Securities might properly be paid.

#### SECTION 10.3 Fiduciary Duty.

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(a) To the extent that, at law or in equity, an Indemnified Person has duties (including fiduciary duties) and liabilities relating thereto to the Trust or to any other Covered Person, an Indemnified Person acting under this Declaration shall not be liable to the Trust or to any other Covered Person for its good faith reliance on the provisions of this Declaration. The provisions of this Declaration, to the extent that they restrict the duties and liabilities of an Indemnified Person otherwise existing at law or in equity (other than the duties imposed on the Institutional Trustee under the Trust Indenture Act), are agreed by the parties hereto to replace such other duties and liabilities of such Indemnified Person.

(b) Unless otherwise expressly provided herein:

(i) whenever a conflict of interest exists or arises between any Covered Persons; or

(ii) whenever this Declaration or any other agreement contemplated herein or therein provides that an Indemnified Person shall act in a manner that is, or provides terms that are, fair and reasonable to the Trust or any Holder of Trust Securities,

the Indemnified Person shall resolve such conflict of interest, take such action or provide such terms, considering in each case the relative interest of each party (including its own interest) to such conflict, agreement, transaction or situation and the benefits and burdens relating to such interests, any customary or accepted industry practices, and any applicable generally accepted accounting practices or principles. In the absence of bad faith by the Indemnified Person, the resolution, action or term so made, taken or provided by the Indemnified Person shall not constitute a breach of this Declaration or any other agreement contemplated herein or of any duty or obligation of the Indemnified Person at law or in equity or otherwise.

(c) Whenever in this Declaration an Indemnified Person is permitted or required to make a decision:

(i) in its "discretion" or under a grant of similar authority, the Indemnified Person shall be entitled to consider such interests and factors as it desires, including its own interests, and shall have no duty or obligation to give any consideration to any interest of or factors affecting the Trust or any other Person; or

(ii) in its "good faith" or under another express standard, the Indemnified Person shall act under such express standard and shall not be subject to any other or different standard imposed by this Declaration or by applicable law.

#### SECTION 10.4 Indemnification.

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(a) (i) The Sponsor shall indemnify, to the full extent permitted by law, any Company Indemnified Person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Trust) by reason of the fact that he is or was a Company Indemnified Person against expenses (including attorneys' fees and expenses), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Trust,



and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the Company Indemnified Person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Trust, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

(ii) The Sponsor shall indemnify, to the full extent permitted by law, any Company Indemnified Person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Trust to procure a judgment in its favor by reason of the fact that he is or was a Company Indemnified Person against expenses (including attorneys' fees and expenses) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Trust and except that no such indemnification shall be made in respect of any claim, issue or matter as to which such Company Indemnified Person shall have been adjudged to be liable to the Trust unless and only to the extent that the Court of Chancery of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such Court of Chancery or such other court shall deem proper.

(iii) To the extent that a Company Indemnified Person shall be successful on the merits or otherwise (including dismissal of an action without prejudice or the settlement of an action without admission of liability) in defense of any action, suit or proceeding referred to in paragraphs (i) and (ii) of this Section 10.4(a), or in defense of any claim, issue or matter therein, he shall be indemnified, to the full extent permitted by law, against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

(iv) Any indemnification under paragraphs (i) and (ii) of this Section 10.4(a) (unless ordered by a court) shall be made by the Sponsor only as authorized in the specific case upon a determination that indemnification of the Company Indemnified Person is proper in the circumstances because he has met the applicable standard of conduct set forth in paragraphs (i) and (ii). Such determination shall be made (1) by the Regular Trustees by a majority vote of a quorum consisting of such Regular Trustees who were not parties to such action, suit or proceeding, (2) if such a quorum is not obtainable, or, even if obtainable, if a quorum of disinterested Regular Trustees so directs, by independent legal counsel in a written opinion, or (3) by the Holders of the Common Securities.

(v) Expenses (including attorneys' fees and expenses) incurred by a Company Indemnified Person in defending civil, criminal, administrative or investigative action, suit or proceeding referred to in paragraphs (i) and (ii) of this Section 10.4(a) shall be paid by the Sponsor in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf such Company Indemnified Person to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Sponsor as authorized in this Section 10.4(a). Notwithstanding the foregoing, no advance shall be made by the Debenture Issuer if a determination is reasonably and promptly made (i) by the Regular Trustees by a majority vote of a quorum of disinterested Regular Trustees, (ii) if such a quorum is not obtainable, or, even if obtainable, if a quorum of disinterested Regular Trustees so directs, by independent legal counsel in a written opinion or (iii) the Common Security Holder of the Trust, that, based upon the facts known to the Regular Trustees, counsel or the Common Security Holder at the time such determination is made, such Company Indemnified Person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the Trust, or, with respect to any criminal proceeding, that such Company Indemnified Person believed or had reasonable cause to believe his conduct was unlawful. In no event shall any advance be made in instances where the Regular Trustees, independent legal counsel or Holders of the Common Securities reasonably determine that such person deliberately breached his duty to the Trust or the Holders of the Securities.

(vi) The indemnification and advancement of expenses provided

by, or granted pursuant to, the other paragraphs of this Section 10.4(a) shall not be deemed exclusive of any other rights to which those seeking indemnification and advancement of expenses may be entitled under any agreement, vote of stockholders or disinterested directors of the Sponsor or vote of Holders of Securities or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office. All rights to indemnification under this Section 10.4(a) shall be deemed to be provided by a contract between the Sponsor and each Company Indemnified Person who serves in such capacity at any time while this Section 10.4(a) is in effect. Any repeal or modification of this Section 10.4(a) shall not affect any rights or obligations then existing.

(vii) The Sponsor or the Trust may purchase and maintain insurance on behalf of any person who is or was a Company Indemnified Person against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Sponsor would have the power to indemnify him against such liability under the provisions of this Section 10.4(a).

(viii) For purposes of this Section 10.4(a), references to "the Trust" shall include, in addition to the resulting or surviving entity, any constituent entity (including any constituent of a constituent) absorbed in a merger, consolidation, amalgamation or other business combination so that any person who is or was a director, trustee, officer or employee of such constituent entity, or is or was serving at the request of such constituent entity as a director, trustee, officer, employee or agent of another entity, shall stand in the same position under the provisions of this Section 10.4(a) with respect to the resulting or surviving entity as he would have with respect to such constituent entity if its separate existence had continued.

(ix) The indemnification and advancement of expenses provided by, or granted pursuant to, this Section 10.4(a) shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a Company Indemnified Person and shall inure to the benefit of the heirs, executors and administrators of such a person.

(b) The Sponsor agrees to indemnify the (i) Institutional Trustee, (ii) the Delaware Trustee, (iii) any Affiliate of the Institutional Trustee and the Delaware Trustee, and (iv) any officers, directors, shareholders, members, partners, employees, representatives, custodians, nominees or agents of the Institutional Trustee and the Delaware Trustee (each of the Persons in (i) through (iv) being referred to as a "Fiduciary Indemnified Person") for, and to hold each Fiduciary Indemnified Person harmless against, any and all loss, liability, damage, claim or expense including taxes (other than taxes based on the income of such Fiduciary Indemnified Person) incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration or the trust or trusts hereunder, including the costs and expenses (including reasonable legal fees and expenses) of defending itself against or investigating any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. The obligation to indemnify as set forth in this Section 10.4(b) shall survive the satisfaction and discharge of this Declaration.

#### SECTION 10.5     Outside Businesses.

Any Covered Person, the Sponsor, the Delaware Trustee and the Institutional Trustee may engage in or possess an interest in other business ventures of any nature or description, independently or with others, similar or dissimilar to the business of the Trust, and the Trust and the Holders of Securities shall have no rights by virtue of this Declaration in and to such independent ventures or the income or profits derived therefrom, and the pursuit of any such venture, even if competitive with the business of the Trust, shall not be deemed wrongful or improper. No Covered Person, the Sponsor, the Delaware Trustee, or the Institutional Trustee shall be obligated to present any particular investment or other opportunity to the Trust even if such opportunity is of a character that, if presented to the Trust, could be taken by the Trust, and any Covered Person, the Sponsor, the Delaware Trustee and the Institutional Trustee shall have the right to take for its own account (individually or as a partner or fiduciary) or to recommend to others any such particular investment or other opportunity. Any Covered Person, the Delaware Trustee and the Institutional Trustee may engage or be interested in any financial or other transaction with the Sponsor or any Affiliate of the Sponsor, or may act as depositary for, trustee or agent for, or act on any committee or

body of holders of, securities or other obligations of the Sponsor or its Affiliates.

ARTICLE XI  
ACCOUNTING

SECTION 11.1 Fiscal Year.  
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The fiscal year ("Fiscal Year") of the Trust shall be the calendar year, or such other year as is required by the Code.

SECTION 11.2 Certain Accounting Matters.  
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(a) At all times during the existence of the Trust, the Regular Trustees shall keep, or cause to be kept, full books of account, records and supporting documents, which shall reflect in reasonable detail, each transaction of the Trust. The books of account shall be maintained on the accrual method of accounting, in accordance with generally accepted accounting principles, consistently applied. The Trust shall use the accrual method of accounting for United States federal income tax purposes. The books of account and the records of the Trust shall be examined by and reported upon as of the end of each Fiscal Year of the Trust by a firm of independent certified public accountants selected by the Regular Trustees.

(b) The Regular Trustees shall cause to be prepared and delivered to each of the Holders of Trust Securities, within 90 days after the end of each Fiscal Year of the Trust, annual financial statements of the Trust, including a balance sheet of the Trust as of the end of such Fiscal Year, and the related statements of income or loss;

(c) The Regular Trustees shall cause to be duly prepared and delivered to each of the Holders of Trust Securities, any annual United States federal income tax information statement, required by the Code, containing such information with regard to the Trust Securities held by each Holder as is required by the Code and the Treasury Regulations. Notwithstanding any right under the Code to deliver any such statement at a later date, the Regular Trustees shall endeavor to deliver all such statements within 30 days after the end of each calendar year.

(d) The Regular Trustees shall cause to be duly prepared and filed with the appropriate taxing authority, an annual United States federal income tax return, on a Form 1041 or such other form required by United States federal income tax law, and any other annual income tax returns required to be filed by the Regular Trustees on behalf of the Trust with any state or local taxing authority.

SECTION 11.3 Banking.  
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The Trust shall maintain one or more bank accounts in the name and for the sole benefit of the Trust; provided, however, that all payments of funds in respect of the Debentures held by the Institutional Trustee shall be made directly to the Institutional Trustee Account and no other funds of the Trust shall be deposited in the Institutional Trustee Account. The sole signatories for such accounts shall be designated by the Regular Trustees; provided, however, that the Institutional Trustee shall designate the signatories for the Institutional Trustee Account.

SECTION 11.4 Withholding.  
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The Trust and the Regular Trustees shall comply with all withholding requirements under United States federal, state and local law. The Trust shall request, and the Holders shall provide to the Trust, such forms or certificates as are necessary to establish an exemption from withholding with respect to each Holder, and any representations and forms as shall reasonably be requested by the Trust to assist it in determining the extent of, and in fulfilling, its withholding obligations. The Regular Trustees shall file required forms with applicable jurisdictions and, unless an exemption from withholding is properly established by a Holder, shall remit amounts withheld with respect to the Holder to applicable jurisdictions. To the extent that the Trust is required to withhold and pay over any amounts to any authority with respect to distributions or allocations to any Holder, the amount withheld shall be deemed to be a distribution in the amount of the withholding to the Holder. In the event of any claimed over withholding, Holders shall be limited to an action against the applicable jurisdiction. If the amount required to be withheld was not withheld from actual Distributions made, the Trust may reduce

subsequent Distributions by the amount of such withholding.

ARTICLE XII  
AMENDMENTS AND MEETINGS

SECTION 12.1 Amendments.

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(a) Except as otherwise provided in this Declaration or by any applicable terms of the Trust Securities, this Declaration may only be amended by a written instrument approved and executed by:

(i) the Regular Trustees (or, if there are more than two Regular Trustees a majority of the Regular Trustees);

(ii) if the amendment affects the rights, powers, duties, obligations or immunities of the Institutional Trustee, the Institutional Trustee; and

(iii) if the amendment affects the rights, powers, duties, obligations or immunities of the Delaware Trustee, the Delaware Trustee;

(b) no amendment shall be made, and any such purported amendment shall be void and ineffective:

(i) unless, in the case of any proposed amendment, the Institutional Trustee shall have first received an Officer's Certificate from each of the Trust and the Sponsor that such amendment is permitted by, and conforms to, the terms of this Declaration (including the terms of the Securities);

(ii) unless, in the case of any proposed amendment which affects the rights, powers, duties, obligations or immunities of the Institutional Trustee, the Institutional Trustee shall have first received:

(A) an Officer's Certificate from each of the Trust and the Sponsor that such amendment is permitted by, and conforms to, the terms of this Declaration (including the terms of the Trust Securities); and

(B) an opinion of counsel (who may be counsel to the Sponsor or the Trust) that such amendment is permitted by, and conforms to, the terms of this Declaration (including the terms of the Trust Securities); and

(iii) to the extent the result of such amendment would be to:

(A) cause the trust to be classified for purposes of United States federal income taxation as an association taxable as a corporation;

(B) reduce or otherwise adversely affect the powers of the Institutional Trustee in contravention of the Trust Indenture Act; or

(C) cause the Trust to be deemed to be an Investment Company required to be registered under the Investment Company Act;

(c) at such time after the Trust has issued any Trust Securities that remain outstanding, any amendment that would adversely affect the rights, privileges or preferences of any Holder of Trust Securities may be effected only with such additional requirements as may be set forth in the terms of such Trust Securities;

(d) Section 9.1(c) and this Section 12.1 shall not be amended without the consent of all of the Holders of the Trust Securities;

(e) Article IV shall not be amended without the consent of the Holders of a Majority in liquidation amount of the Common Securities and;

(f) the rights of the holders of the Common Securities under Article V to increase or decrease the number of, and appoint and remove Trustees shall not be amended without the consent of the Holders of a Majority in liquidation amount of the Common Securities; and

(g) notwithstanding Section 12.1(c), this Declaration may be amended without the consent of the Holders of the Trust Securities to:

- (i) cure any ambiguity;
- (ii) correct or supplement any provision in this Declaration that may be defective or inconsistent with any other provision of this Declaration;
- (iii) add to the covenants, restrictions or obligations of the Sponsor;
- (iv) conform to any change in Rule 3a-5 or written change in interpretation or application of Rule 3a-5 by any legislative body, court, government agency or regulatory authority which amendment does not have a material adverse effect on the right, preferences or privileges of the Holders; and
- (v) modify, eliminate and/or add any provision of, from or to this Declaration in any other respect so long as such modification, elimination or addition shall not adversely affect the interests of the Holders of Securities in any material respect.

SECTION 12.2 Meetings of the Holders of Trust Securities;  
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 Action by Written Consent.  
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(a) Meetings of the Holders of any class of Trust Securities may be called at any time by the Regular Trustees (or as provided in the terms of the Trust Securities) to consider and act on any matter on which Holders of such class of Trust Securities are entitled to act under the terms of this Declaration, the terms of the Trust Securities or the rules of any stock exchange on which the Securities are listed or admitted for trading. The Regular Trustees shall call a meeting of the Holders of such class if directed to do so by the Holders of at least 33% in liquidation amount of such class of Trust Securities. Such direction shall be given by delivering to the Regular Trustees one or more calls in a writing stating that the signing Holders of Trust Securities wish to call a meeting and indicating the general or specific purpose for which the meeting is to be called. Any Holders of Trust Securities calling a meeting shall specify in writing the Trust Security Certificates held by the Holders of Trust Securities exercising the right to call a meeting and only those Trust Securities specified shall be counted for purposes of determining whether the required percentage set forth in the second sentence of this paragraph has been met.

(b) Except to the extent otherwise provided in the terms of the Trust Securities, the following provisions shall apply to meetings of Holders of Trust Securities:

(i) notice of any such meeting shall be given to all the Holders of Trust Securities having a right to vote thereat at least 21 days and not more than 18 days before the date of such meeting. Whenever a vote, consent or approval of the Holders of Trust Securities is permitted or required under this Declaration or the rules of any stock exchange on which the Securities are listed or admitted for trading, such vote, consent or approval may be given at a meeting of the Holders of Trust Securities. Any action that may be taken at a meeting of the Holders of Trust Securities may be taken without a meeting if a consent in writing setting forth the action so taken is signed by the Holders of Trust Securities owning not less than the minimum amount in liquidation amount that would be necessary to authorize or take such action at a meeting at which all Holders of Trust Securities having a right to vote thereon were present and voting. Prompt notice of the taking of action without a meeting shall be given to the Holders of Trust Securities entitled to vote who have not consented in writing. The Regular Trustees may specify that any written ballot submitted to the Trust Security Holder for the purpose of taking any action without a meeting shall be returned to the Trust within the time specified by the Regular Trustees;

(ii) each Holder of a Trust Security may authorize any Person to act for it by proxy on all matters in which a Holder of Trust Securities is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting. No proxy shall be valid after the expiration of 11 months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the Holder of Trust Securities executing it. Except as otherwise provided herein, all matters relating to the giving, voting or validity of proxies shall be governed by the General

Corporation Law of the State of Delaware relating to proxies, and judicial interpretations thereunder, as if the Trust were a Delaware corporation and the Holders of the Trust Securities were stockholders of a Delaware corporation;

(iii) each meeting of the Holders of the Trust Securities shall be conducted by the Regular Trustees or by such other Person that the Regular Trustees may designate; and

(iv) unless the Business Trust Act, this Declaration, the terms of the Trust Securities, the Trust Indenture Act or the listing rules of any stock exchange on which the Securities are then listed or trading, otherwise provides, the Regular Trustees, in their sole discretion, shall establish all other provisions relating to meetings of Holders of Trust Securities, including notice of the time, place or purpose of any meeting at which any matter is to be voted on by any Holders of Trust Securities, waiver of any such notice, action by consent without a meeting, the establishment of a record date, quorum requirements, voting in person or by proxy or any other matter with respect to the exercise of any such right to vote.

ARTICLE XIII  
REPRESENTATIONS OF INSTITUTIONAL TRUSTEE  
AND DELAWARE TRUSTEE

SECTION 13.1 Representations and Warranties of Institutional Trustee.  
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The Trustee that acts as initial Institutional Trustee represents and warrants to the Trust and to the Sponsor at the date of this Declaration, and each Successor Institutional Trustee represents and warrants to the Trust and the Sponsor at the time of the Successor Institutional Trustee's acceptance of its appointment as Institutional Trustee, that:

(a) the Institutional Trustee is a Delaware banking corporation with trust powers and authority to execute and deliver, and to carry out and perform its obligations under the terms of, this Declaration;

(b) the execution, delivery and performance by the Institutional Trustee of the Declaration has been duly authorized by all necessary corporate action on the part of the Institutional Trustee. The Declaration has been duly executed and delivered by the Institutional Trustee, and it constitutes a legal, valid and binding obligation of the Institutional Trustee, enforceable against it in accordance with its terms, subject to applicable bankruptcy, reorganization, moratorium, insolvency, and other similar laws affecting creditors' rights generally and to general principles of equity and the discretion of the court (regardless of whether the enforcement of such remedies is considered in a proceeding in equity or at law);

(c) the execution, delivery and performance of this Declaration by the Institutional Trustee does not conflict with or constitute a breach of the charter or by-laws of the Institutional Trustee; and

(d) no consent, approval or authorization of, or registration with or notice to, any Delaware or other state or any federal banking authority is required for the execution, delivery or performance by the Institutional Trustee of this Declaration.

SECTION 13.2 Representations and Warranties of Delaware Trustee.  
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The Trustee that acts as initial Delaware Trustee represents and warrants to the Trust and to the Sponsor at the date of this Declaration, and each Successor Delaware Trustee represents and warrants to the Trust and the Sponsor at the time of the Successor Delaware Trustee's acceptance of its appointment as Delaware Trustee, that:

(a) The Delaware Trustee is duly organized, validly existing and in good standing under the laws of the State of Delaware, with trust power and authority to execute and deliver, and to carry out and perform its obligations under the terms of, this Declaration.

(b) The Delaware Trustee has been authorized to perform its obligations under the Certificate of Trust and the Declaration. The Declaration under Delaware law constitutes a legal, valid and binding obligation of the Delaware Trustee, enforceable against it in accordance with its terms, subject to applicable bankruptcy,

reorganization, moratorium, insolvency, and other similar laws affecting creditors' rights generally and to general principles of equity and the discretion of the court (regardless of whether the enforcement of such remedies is considered in a proceeding in equity or at law).

(c) No consent, approval or authorization of, or registration with or notice to, any Delaware or other state or any federal banking authority is required for the execution, delivery or performance by the Delaware Trustee of this Declaration.

(d) The Delaware Trustee is a natural person who is a resident of the State of Delaware or, if not a natural person, an entity which has its principal place of business in the State of Delaware.

ARTICLE XIV  
MISCELLANEOUS

SECTION 14.1 Notices.  
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All notices provided for in this Declaration shall be in writing, duly signed by the party giving such notice, and shall be delivered, telecopied or mailed by first class mail, as follows:

(a) if given to the Trust, in care of the Regular Trustees at the Trust's mailing address set forth below (or such other address as the Trust may give notice of to the Holders of the Trust Securities):

Washington Water Power Capital I  
c/o The Washington Water Power Company  
1411 East Mission Avenue  
Spokane, Washington 99202  
Attention: Treasurer  
Telecopy: (509) 489-4879

(b) if given to the Delaware Trustee, at the mailing address set forth below (or such other address as Delaware Trustee may give notice of to the Holders of the Trust Securities):

Wilmington Trust Company  
Rodney Square North  
1100 North Market Street  
Wilmington, Delaware 19890  
Attention: Corporate Trust Administration  
Telecopy: (302) 651-1576

(c) if given to the Institutional Trustee, at the Institutional Trustee's mailing address set forth below (or such other address as the Institutional Trustee may give notice of to the Holders of the Trust Securities):

Wilmington Trust Company  
Rodney Square North  
1100 North Market Street  
Wilmington, Delaware 19890  
Attention: Corporate Trust Administration  
Telecopy: (302) 651-1576

(d) if given to the Holder of the Common Securities, at the mailing address of the Sponsor set forth below (or such other address as the Holder of the Common Securities may give notice to the Trust):

The Washington Water Power Company  
1411 East Mission Avenue  
Spokane, Washington 99202  
Attention: Treasurer  
Telecopy: (509) 482-4879

(e) if given to any other Holder, at the address set forth on the books and records of the Trust.

All such notices shall be deemed to have been given when received in person with receipt confirmed, or mailed by first class mail, postage prepaid except that if a notice or other document is refused delivery or cannot be delivered because of a changed address of which no notice was given, such notice or other document shall be deemed to have been delivered on the date of such refusal or inability to deliver.

SECTION 14.2 Governing Law.  
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This Declaration and the rights of the parties hereunder shall be governed by and interpreted in accordance with the laws of the State of Delaware, and all rights and remedies shall be governed by such laws without regard to principles of conflict of laws.

SECTION 14.3 Intention of the Parties.  
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It is the intention of the parties hereto that the Trust be classified for United States federal income tax purposes as a grantor trust. The provisions of this Declaration shall be interpreted to further this intention of the parties.

SECTION 14.4 Headings.  
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Headings contained in this Declaration are inserted for convenience of reference only and do not affect the interpretation of this Declaration or any provision hereof.

SECTION 14.5 Successors and Assigns.  
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Whenever in this Declaration any of the parties hereto is named or referred to, the successors and assigns of such party shall be deemed to be included, and all covenants and agreements in this Declaration by the Sponsor and the Trustees shall bind and inure to the benefit of their respective successors and assigns, whether so expressed.

SECTION 14.6 Partial Enforceability.  
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If any provision of this Declaration, or the application of such provision to any Person or circumstance, shall be held invalid, the remainder of this Declaration, or the application of such provision to persons or circumstances other than those to which it is held invalid, shall not be affected thereby.

SECTION 14.7 Counterparts.  
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This Declaration may contain more than one counterpart of the signature page and this Declaration may be executed by the affixing of the signature of each of the Trustees to one of such counterpart signature pages. All of such counterpart signature pages shall be read as though one, and they shall have the same force and effect as though all of the signers had signed a single signature page.

IN WITNESS WHEREOF, the undersigned has caused these presents to be executed as of the day and year first above written.

-----  
LAWRENCE J. PIERCE,  
as Regular Trustee

-----  
DOROTHY K. MERCER,  
as Regular Trustee

WILMINGTON TRUST COMPANY,  
as Delaware Trustee

By: \_\_\_\_\_  
Name:  
Title:



WILMINGTON TRUST COMPANY,  
as Institutional Trustee

By:

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Name:

Title:

THE WASHINGTON WATER POWER COMPANY,  
as Sponsor

By:

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Name:

Title:



ANNEX I

TERMS OF  
%  
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% TRUST ORIGINATED COMMON SECURITIES, SERIES A  
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Pursuant to Section 7.1 of the Amended and Restated Declaration of Trust, dated as of \_\_\_\_\_, 199 (as amended from time to time, the "Declaration"), the designation, rights, privileges, restrictions, preferences and other terms and provisions of the Securities and the Common Securities are set out below (each capitalized term used but not defined herein has the meaning set forth in the Declaration or, if not defined in such Declaration, as defined in the Prospectus referred to below):

1. Designation and Number.  
-----

(a) Securities. \_\_\_\_\_ Securities of the Trust with an aggregate liquidation amount with respect to the assets of the Trust of (\$ \_\_\_\_\_) and a liquidation amount with respect to the assets of the Trust of \$ \_\_\_\_\_ per security, are hereby designated for the purposes of identification only as " \_\_\_\_\_ % Securities, Series A" (the "Securities"). The Security Certificates evidencing the Securities shall be substantially in the form of Exhibit A-1 to the Declaration, with such changes and additions thereto or deletions therefrom as may be required by ordinary usage, custom or practice or to conform to the rules of any stock exchange on which the Securities are listed.

(b) Common Securities. \_\_\_\_\_ Common Securities of the Trust with an aggregate liquidation amount with respect to the assets of the Trust of \_\_\_\_\_ dollars (\$ \_\_\_\_\_) and a liquidation amount with respect to the assets of the Trust of \$ \_\_\_\_\_ per common security, are hereby designated for the purposes of identification only as " \_\_\_\_\_ % Trust Originated Common Securities, Series A" (the "Common Securities"). The Common Security Certificates evidencing the Common Securities shall be substantially in the form of Exhibit A-2 to the Declaration, with such changes and additions thereto or deletions therefrom as may be required by ordinary usage, custom or practice.

2. Distributions.  
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(a) Distributions payable on each Security will be fixed at a rate of \_\_\_\_\_ % per annum (the "Coupon Rate") of the stated liquidation amount of \$ \_\_\_\_\_ per Security, such rate being the rate of interest payable on the Debentures to be held by the Institutional Trustee. Distributions in arrears for more than one Distribution period will bear interest thereon compounded \_\_\_\_\_ at the Coupon Rate (to the extent permitted by applicable law). The term "Distributions" as used herein includes such cash distributions and any such interest payable unless otherwise stated. A Distribution is payable only to the extent that payments are made in respect of the Debentures held by the Institutional Trustee and to the extent the Institutional Trustee has funds available therefor. The amount of Distributions payable for any period will be computed for any full Distribution period on the basis of a 360-day year of twelve 30-day months, and for any period shorter than a full Distribution period for which Distributions are computed, Distributions will be computed on the basis of the actual number of days elapsed per \_\_\_\_\_-day Distribution period.  
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(b) Distributions on the Securities will be cumulative, will accrue from \_\_\_\_\_, 199\_\_\_\_, and will be payable \_\_\_\_\_ in arrears, on \_\_\_\_\_ of each year, commencing on \_\_\_\_\_, 199\_\_\_\_, except as otherwise described below. The Debenture Issuer has the right under the Indenture to defer payments of interest by extending the interest payment period from time to time on the Debentures for a period not exceeding \_\_\_\_\_ consecutive Distribution periods (each an "Extension Period"), during which Extension Period no interest shall be due and payable on the Debentures, provided, however, that no Extension Period shall last beyond the date of maturity of the Debentures. As a consequence of such deferral, Distributions will also be deferred. Despite such deferral, Distributions will continue to accrue with interest thereon (to the extent permitted by applicable law) at the Coupon Rate compounded \_\_\_\_\_ during any such Extension Period. Prior to the termination of any such Extension Period, the Debenture Issuer may further extend such Extension Period; provided, however, that such Extension Period, together with all such previous and further extensions thereof, may not exceed \_\_\_\_\_ consecutive Distribution periods or extend beyond the maturity of the Debentures. Payments of accrued Distributions will be payable to Holders as they appear on the books and records of the Trust on the first record date after the end of the Extension Period. Upon the termination of any Extension Period and the payment of all amounts then due, the Debenture Issuer may commence a new Extension Period, subject to the above requirements.

(c) Distributions on the Securities will be payable to the Holders thereof as they appear on the books and records of the Trust on the relevant record dates. The relevant record dates for the Securities shall conform to the rules of any securities exchange on which the securities are listed and, if none, shall be selected by the Regular Trustees, which dates shall be at least one Business Day but less than 50 Business Days before the relevant payment dates, which payment dates correspond to the interest payment dates on the Debentures. The relevant record dates for the Common Securities shall be the same record date as for the Securities. Distributions payable on any Trust Securities that are not punctually paid on any Distribution payment date, as a result of the Debenture Issuer having failed to make a payment under the Debentures, will cease to be payable to the Person in whose name such Trust Securities are registered on the relevant record date, and such defaulted Distribution will instead be payable to the Person in whose name such Trust Securities are registered on the special record date or other specified date determined in accordance with the Indenture. If any date on which Distributions are payable on the Trust Securities is not a Business Day, then payment of the Distribution payable on such date will be made on the next succeeding day that is a Business Day except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date.

(d) In the event that there is any money or other property held by or for the Trust that is not accounted for hereunder, such property shall be distributed Pro Rata (as defined herein) among the Holders of the Trust Securities.

### 3. Liquidation Distribution Upon Dissolution.

In the event of any voluntary or involuntary dissolution, winding-up or termination of the Trust, the Holders of the Trust Securities on the date of the dissolution, winding-up or termination, as the case may be, will be entitled to receive out of the assets of the Trust available for distribution to Holders of Trust Securities after satisfaction of liabilities of creditors an amount equal to the aggregate of the stated liquidation amount of \$ \_\_\_\_\_ per Trust Security plus accrued and unpaid

Distributions thereon to the date of payment (such amount being the "Liquidation Distribution"), unless, in connection with such dissolution, winding-up or termination, Debentures in an aggregate stated principal amount equal to the aggregate stated liquidation amount of such Trust Securities, with an interest rate equal to the Coupon Rate of, accrued and unpaid interest in an amount equal to the accrued and unpaid Distributions on, such Trust Securities, shall be distributed on a Pro Rata basis to the Holders of the Trust Securities in exchange for such Trust Securities.

If, upon any such dissolution, the Liquidation Distribution can

be paid only in part because the Trust has insufficient assets available to pay in full the aggregate Liquidation Distribution, then the amounts payable directly by the Trust on the Trust Securities shall be paid on a Pro Rata basis.

4. Redemption and Distribution.  
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(a) Upon the repayment of the Debentures in whole or in part, whether at maturity or upon redemption (either at the option of the Debenture Issuer or pursuant to a Tax Event as described below), the proceeds from such repayment shall be simultaneously applied to redeem Securities having an aggregate liquidation amount equal to the aggregate principal amount of the Debentures so repaid or redeemed at a redemption price of \$ per Trust Security plus an amount equal to accrued and unpaid

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Distributions thereon at the date of the redemption, payable in cash (the "Redemption Price"). Holders will be given not less than 30 nor more than 60 days' notice of such redemption.

(b) If fewer than all the outstanding Securities are to be so redeemed, the Common Securities and the Securities will be redeemed Pro Rata and the Securities to be redeemed will be as described in Section 4(f)(ii) below.

(c) If, at any time, a Tax Event (as defined below) shall occur and be continuing, at the option of the Sponsor, within 90 days following the occurrence of such Tax Event, either (i) the Regular Trustees may dissolve the Trust, and, after satisfaction of creditors, cause Debentures held by the Institutional Trustee, having an aggregate principal amount equal to the aggregate stated liquidation amount of, with an interest rate identical to the Coupon Rate of, and accrued and unpaid interest equal to accrued and unpaid Distributions on, and having the same record date for payment as the Trust Securities, to be distributed to the Holders of the Trust Securities in liquidation of such Holders' interests in the Trust on a Pro Rata basis, or (ii) the Debenture Issuer may, upon not less than 30 nor more than 60 days' notice, redeem the Debentures, in whole but not in part, for cash, and, following such redemption, Trust Securities with an aggregate liquidation amount equal to the aggregate principal amount of the Debentures so redeemed shall be redeemed by the Trust at the Redemption Price on a Pro Rata basis; and provided, however, further, that, if at the time there is available to the Trust the opportunity to eliminate, within the 90 day period, the Tax Event by taking some ministerial action, such as filing a form or making an election, or pursuing some other similar reasonable measure that has no adverse effect on the Trust, the Debenture Issuer, the Sponsor or the Holders of the Trust Securities ("Ministerial Action"), the Trust or the Debenture Issuer will pursue such Ministerial Action in lieu of such dissolution and distribution or redemption.

"Tax Event" means the receipt by the Sponsor of an opinion of counsel to the effect that, as a result of (a) any amendment to, clarification of or change (including any announced prospective change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein affecting taxation, (b) any judicial decision, official administrative pronouncement, ruling, regulatory procedure, notice or announcement, including any notice or announcement of intent to adopt such procedures or regulations (an "Administrative Action") or (c) any amendment to, clarification of, or change in the official position or the interpretation of such Administrative Action or judicial decision that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification or change is made known, which amendment, clarification, or change is effective or such pronouncement or decision is announced, in each case, on or after, the date of the original issuance of the Debentures (including the enactment of any legislation and the publication of any judicial decision or regulatory determination on or after such date), there is more than an insubstantial risk that (i) the Trust is or will be within 90 days of the date of such amendment, clarification or change, subject to United States federal income tax with respect to interest accrued or received on the Debentures, (ii) the Trust is, or will be within 90 days of the date of such amendment, clarification or change, subject to more than a de minimis amount of taxes, duties or other governmental charges, or (iii) interest payable by the Debenture Issuer to the Trust on the Debentures is not, or within 90 days of the date of such amendment, clarification or change will not be, deductible, in whole or in part, by the Debenture Issuer for United States federal income tax purposes.

On and from the date fixed by the Regular Trustees for any distribution of Debentures and dissolution of the Trust: (i) the Trust

Securities will be deemed to be no longer outstanding and (ii) any certificates representing Trust Securities will be deemed to represent beneficial interests in the Debentures having an aggregate principal amount equal to the aggregate stated liquidation amount of, with an interest rate identical to the Coupon Rate of, and accrued and unpaid interest equal to accrued and unpaid Distributions on, and having the same record date for payment as such Trust Securities until such certificates are presented to the Debenture Issuer or its agent for transfer or reissue.

(d) The Trust may not redeem fewer than all the outstanding Trust Securities unless all accrued and unpaid Distributions have been paid on all Trust Securities for all ----- Distribution periods terminating on or before the date of redemption.

(e) If the Debentures are distributed to holders of the Trust Securities, the Debenture Issuer will use all reasonable efforts to have the Debentures listed on the New York Stock Exchange or on such other exchange as the Securities were listed immediately prior to the distribution of the Debentures.

(f) "Redemption or Distribution Procedures."

(i) Notice of any redemption of, or notice of distribution of Debentures in exchange for the Trust Securities (a "Redemption/Distribution Notice"), will be given by the Trust by mail to each Holder of Trust Securities to be redeemed or exchanged not fewer than 30 nor more than 60 days before the date fixed for redemption or exchange thereof which, in the case of a redemption, will be the date fixed for redemption of the Debentures. For purposes of the calculation of the date of redemption or exchange and the dates on which notices are given pursuant to this Section 4(f)(i), a Redemption/Distribution Notice shall be deemed to be given on the day such notice is first mailed by first-class mail, postage prepaid, to Holders of Trust Securities. Each Redemption/Distribution Notice shall be addressed to the Holders of Trust Securities at the address of each such Holder appearing in the books and records of the Trust. No defect in the Redemption/Distribution Notice or in the mailing of either thereof with respect to any Holder shall affect the validity of the redemption or exchange proceedings with respect to any other Holder.

(ii) In the event that fewer than all the outstanding Trust Securities are to be redeemed, the Trust Securities to be redeemed shall be redeemed Pro Rata from each Holder of Securities. The particular Securities to be redeemed shall be selected on a Pro Rata basis not more than 60 days prior to the redemption date by the Institutional Trustee from the outstanding Securities not previously called for redemption, by such method as the Institutional Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions (equal to \$ or an integral

multiple of \$\_\_\_ in excess thereof) of the liquidation preference amount of Securities of a denomination larger than \$ . The

Institutional Trustee shall notify the Transfer Agent and Registrar in writing of the Securities selected for redemption, and in the case of any Securities selected for partial redemption, the liquidation preference amount thereof to be redeemed. For all purposes of the Declaration, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Securities redeemed or to be redeemed only in part, or to the portion of the aggregate liquidation preference amount of Securities which has been or is to be redeemed.

(iii) If Trust Securities are to be redeemed and the Trust gives a Redemption/Distribution Notice, then provided that the Debenture Issuer has paid the Institutional Trustee a sufficient amount of cash in connection with the related redemption or maturity of the Debentures, the Institutional Trustee will pay the relevant Redemption Price to the holders of such Trust Securities by check mailed to the address of the relevant Holders appearing on the books and records of the Trust on the redemption date. If a Redemption/Distribution Notice shall have been given and funds deposited as required, if applicable, then immediately prior to the close of business on the date of such deposit, or on the redemption date, as applicable, distributions will cease to accrue on the Trust Securities so called for redemption and all rights of Holders of such Trust Securities so called for redemption will cease, except the right of the Holders of such Trust Securities to receive the Redemption Price, but without interest on such Redemption Price. Neither the Regular Trustees nor the Trust

shall be required to register or cause to be registered the transfer of any Trust Securities that have been so called for redemption. If any date fixed for redemption of Trust Securities is not a Business Day, then payment of the Redemption Price payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day falls in the next calendar year, such payment will be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date fixed for redemption. If payment of the Redemption Price in respect of any Trust Securities is improperly withheld or refused and not paid either by the Institutional Trustee or by the Sponsor as guarantor pursuant to the relevant Guarantee, Distributions on such Trust Securities will continue to accrue from the original redemption date to the actual date of payment, in which case the actual payment date will be considered the date fixed for redemption for purposes of calculating the Redemption Price.

(iv) Redemption/Distribution Notices shall be sent by the Regular Trustees on behalf of the Trust to (A) in respect of the Securities, to the Holder thereof, and (B) in respect of the Common Securities to the Holder thereof.

(v) Subject to the foregoing and applicable law (including, without limitation, United States federal securities laws), provided the acquiror is not the Holder of the Common Securities or the obligor under the Indenture, the Sponsor or any of its subsidiaries may at any time and from time to time purchase outstanding Securities by tender, in the open market or by private agreement.

#### 5. Voting Rights - Securities.

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(a) Except as provided under Sections 5(b) and 7 and as otherwise required by law and the Declaration, the Holders of the Securities will have no voting rights.

(b) Subject to the requirements set forth in this paragraph, the Holders of a majority in aggregate liquidation amount of the Securities, voting separately as a class, may direct the time, method, and place of conducting any proceeding for any remedy available to the Institutional Trustee, or exercising any trust or power conferred upon the Institutional Trustee under the Declaration, including the right to direct the Institutional Trustee, as holder of the Debentures, to (i) exercise the remedies available under the Indenture of conducting any proceeding for any remedy available to the Debenture Trustee, or exercising any trust or power conferred on the Debenture Trustee with respect to the Debentures, (ii) waive any past default and its consequences that is waivable under Section 813 of the Indenture, or (iii) exercise any right to rescind or annul a declaration that the principal of all the Debentures shall be due and payable. The Institutional Trustee shall not revoke any action previously authorized or approved by a vote of the Holders of the Securities. Other than with respect to directing the time, method and place of conducting any remedy available to the Institutional Trustee or the Debenture Trustee as set forth above, the Institutional Trustee shall not take any action in accordance with the directions of the Holders of the Securities under this paragraph unless the Institutional Trustee has obtained an opinion of tax counsel to the effect that for the purposes of United States federal income tax the Trust will not be treated as an association taxable as a corporation on account of such action. If an Event of Default has occurred and is continuing and such event is attributable to the failure of the Debenture Issuer to pay interest or principal on the Debentures on the date such interest or principal is otherwise payable (or in the case of redemption, on the redemption date), then a holder of Securities may directly institute a proceeding for enforcement of payment to such Holder of the principal of or interest on the Debentures having a principal amount equal to the aggregate liquidation amount of the Securities of such holder (a "Direct Action") on or after the respective due date specified in the Debentures. In connection with such Direct Action, the rights of the holders of the Common Securities Holder will be subrogated to the rights of such holder of Securities to the extent of any payment made by the Issuer to such holder of Securities in such Direct Action. Except as provided in the preceding sentences, the Holders of Securities will not be able to exercise directly any other remedy available to the holders of the Debentures.

Any approval or direction of Holders of Securities may be given at a separate meeting of Holders of Securities convened for such purpose, at a meeting of all of the Holders of Trust Securities in the Trust or pursuant to written consent. The Regular Trustees will cause a notice of

any meeting at which Holders of Securities are entitled to vote, or of any matter upon which action by written consent of such Holders is to be taken, to be mailed to each Holder of record of Securities. Each such notice will include a statement setting forth (i) the date of such meeting or the date by which such action is to be taken, (ii) a description of any resolution proposed for adoption at such meeting on which such Holders are entitled to vote or of such matter upon which written consent is sought and (iii) instructions for the delivery of proxies or consents.

No vote or consent of the Holders of the Securities will be required for the Trust to redeem and cancel Securities or to distribute the Debentures in accordance with the Declaration and the terms of the Trust Securities.

Notwithstanding that Holders of Securities are entitled to vote or consent under any of the circumstances described above, any of the Securities that are owned by the Sponsor or any Affiliate of the Sponsor shall not be entitled to vote or consent and shall, for purposes of such vote or consent, be treated as if they were not outstanding.

6. Voting Rights - Common Securities.  
-----

(a) Except as provided under Sections 6(b), (c), 7(a) and 8 as otherwise required by law and the Declaration, the Holders of the Common Securities will have no voting rights.

(b) The Holders of the Common Securities are entitled, in accordance with Article V of the Declaration, to vote to appoint, remove or replace any Trustee or to increase or decrease the number of Trustees.

(c) Subject to Section 2.6 of the Declaration and only after the Event of Default with respect to the Securities has been cured, waived, or otherwise eliminated and subject to the requirements of the second to last sentence of this paragraph, the Holders of a Majority in liquidation amount of the Common Securities, voting separately as a class, may direct the time, method, and place of conducting any proceeding for any remedy available to the Institutional Trustee, or exercising any trust or power conferred upon the Institutional Trustee under the Declaration, including (i) directing the time, method, place of conducting any proceeding for any remedy available to the Debenture Trustee, or exercising any trust or power conferred on the Debenture Trustee with respect to the Debentures, (ii) waive any past default and its consequences that is waivable under Section 713 of the Indenture, or (iii) exercise any right to rescind or annul a declaration that the principal of all the Debentures shall be due and payable. Pursuant to this Section 6(c), the Institutional Trustee shall not revoke any action previously authorized or approved by a vote of the Holders of the Securities. Other than with respect to directing the time, method and place of conducting any remedy available to the Institutional Trustee or the Debenture Trustee as set forth above, the Institutional Trustee shall not take any action in accordance with the directions of the Holders of the Common Securities under this paragraph unless the Institutional Trustee has obtained an opinion of tax counsel to the effect that for the purposes of United States federal income tax the Trust will not be treated as an association taxable as a corporation on account of such action. If the Institutional Trustee fails to enforce its rights under the Declaration, any Holder of Common Securities may institute a legal proceeding directly against any Person to enforce the Institutional Trustee's rights under the Declaration, without first instituting a legal proceeding against the Institutional Trustee or any other Person.

Any approval or direction of Holders of Common Securities may be given at a separate meeting of Holders of Common Securities convened for such purpose, at a meeting of all of the Holders of Securities in the Trust or pursuant to written consent. The Regular Trustees will cause a notice of any meeting at which Holders of Common Securities are entitled to vote, or of any matter upon which action by written consent of such Holders is to be taken, to be mailed to each Holder of record of Common Securities. Each such notice will include a statement setting forth (i) the date of such meeting or the date by which such action is to be taken, (ii) a description of any resolution proposed for adoption at such meeting on which such Holders are entitled to vote or of such matter upon which written consent is sought and (iii) instructions for the delivery of proxies or consents.

No vote or consent of the Holders of the Common Securities will be required for the Trust to redeem and cancel Common Securities or to distribute the Debentures in accordance with the Declaration and the terms of the Trust Securities.

7. Amendments to Declaration and Indenture.  
-----



(a) In addition to any requirements under Section 12.1 of the Declaration, if any proposed amendment to the Declaration provides for, or the Regular Trustees otherwise propose to effect, (i) any action that would adversely affect the powers, preferences or special rights of the Securities in any material respect, whether by way of amendment to the Declaration or otherwise, or (ii) the dissolution, winding-up or termination of the Trust, other than as described in Section 8.1 of the Declaration, then the Holders of outstanding Trust Securities voting together as a single class, will be entitled to vote on such amendment or proposal (but not on any other amendment or proposal) and such amendment or proposal shall not be effective except with the approval of the Holders of at least a Majority in liquidation amount of the Trust Securities, affected thereby, provided, however, that if any amendment or proposal referred to in clause (i) above would so adversely affect only the Securities or only the Common Securities, then only the affected class will be entitled to vote on such amendment or proposal and such amendment or proposal shall not be effective except with the approval of a Majority in liquidation amount of such class of Trust Securities.

(b) In the event the consent of the Institutional Trustee as the holder of the Debentures is required under the Indenture with respect to any amendment, modification or termination on the Indenture or the Debentures, the Institutional Trustee shall request the written approval of the Holders of the Trust Securities with respect to such amendment, modification or termination and shall vote with respect to such amendment, modification or termination as directed by a Majority in liquidation amount of the Trust Securities voting together as a single class; provided, however, that where a consent under the Indenture would require the consent of each holder of the Debentures, the Institutional Trustee may only give such consent with the approval of each Holder of outstanding Trust Securities; and provided, further, that, the Institutional Trustee shall not take any action in accordance with the directions of the Holders of the Trust Securities under this Section 7(b) unless the Institutional Trustee has obtained an opinion of tax counsel to the effect that for the purposes of United States federal income tax the Trust will not be treated as an association taxable as a corporation on account of such action.

8. Pro Rata.  
-----

A reference in these terms of the Trust Securities to any payment, distribution or treatment as being "Pro Rata" shall mean pro rata to each Holder of Trust Securities according to the aggregate liquidation amount of the Trust Securities held by the relevant Holder in relation to the aggregate liquidation amount of all Trust Securities outstanding unless, in relation to a payment, an Event of Default under the Declaration has occurred and is continuing, in which case any funds available to make such payment shall be paid first to each Holder of the Securities pro rata according to the aggregate liquidation amount of Securities held by the relevant Holder relative to the aggregate liquidation amount of all Securities outstanding, and only after satisfaction of all amounts owed to the Holders of the Securities, to each Holder of Common Securities pro rata according to the aggregate liquidation amount of Common Securities held by the relevant Holder relative to the aggregate liquidation amount of all Common Securities outstanding.

9. Ranking.  
-----

The Securities rank pari passu and payment thereon shall be made Pro Rata with the Common Securities except that, where an Event of Default occurs and is continuing, the rights of Holders of the Common Securities and the rights of the Sponsor or any Affiliate of the Sponsor, to the extent of their beneficial ownership of Securities, to payment in respect of Distributions and payments upon liquidation, redemption and otherwise are subordinated to the rights to payment of other Holders of the Securities.

10. Listing.  
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The Regular Trustees shall use all reasonable efforts to cause the Securities to be listed for quotation on the New York Stock Exchange.

11. Acceptance of Guarantee and Indenture.  
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Each Holder of Securities and Common Securities, by the acceptance thereof, agrees to the provisions of the Securities Guarantee, the Common Securities Guarantee and the Indenture, respectively, including

the subordination provisions therein.

12. No Preemptive Rights.  
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The Holders of the Trust Securities shall have no preemptive rights to subscribe for any additional securities.

13. Miscellaneous.  
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These terms constitute a part of the Declaration.

The Sponsor will provide a copy of the Declaration, the Securities Guarantee or the Common Securities Guarantee (as may be appropriate), and the Indenture to a Holder without charge on written request to the Sponsor at its principal place of business.



EXHIBIT A-1

FORM OF SECURITY CERTIFICATE

This Security is a Global Certificate within the meaning of the Declaration hereinafter referred to and is registered in the name of The Depository Trust Company (the "Depository") or a nominee of the Depository. This Security is exchangeable for Securities registered in the name of a person other than the Depository or its nominee only in the limited circumstances described in the Declaration and no transfer of this Security (other than a transfer of this Security as a whole by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository) may be registered except in limited circumstances.

Unless this Security is presented by an authorized representative of The Depository Trust Company (55 Water Street, New York, New York) to the Trust or its agent for registration of transfer, exchange or payment, and any Security issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment hereon is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY A PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

Certificate Number \_\_\_\_\_ Number of Securities \_\_\_\_\_  
CUSIP NO. \_\_\_\_\_

Certificate Evidencing Securities

of

WASHINGTON WATER POWER CAPITAL I

% \_\_\_\_\_ Securities, Series A

(liquidation amount \$ \_\_\_\_\_ per Security)

WASHINGTON WATER POWER CAPITAL I, a statutory business trust formed under the laws of the State of Delaware (the "Trust"), hereby certifies that \_\_\_\_\_ (the "Holder") is the registered owner of \_\_\_\_\_ securities of the Trust representing undivided beneficial interests in the assets of the Trust designated the % \_\_\_\_\_ Securities, Series A (liquidation amount \$ \_\_\_\_\_ per Security) (the "Securities"). The Securities are transferable on the books and records of the Trust, in person or by a duly authorized attorney, upon surrender of this certificate duly endorsed and in proper form for transfer. The designation, rights, privileges, restrictions, preferences and other terms and provisions of the Securities represented hereby are issued and shall in all respects be subject to the provisions of the Amended and Restated Declaration of Trust of the Trust dated as of \_\_\_\_\_, 199 , as the same may be amended from time to time (the "Declaration"), including the designation of the terms of the Securities as set forth in Annex I to the Declaration. Capitalized terms used herein but not defined shall have the meaning given them in the Declaration. The Holder is entitled to the benefits of the Securities Guarantee to the extent provided therein. The Sponsor will provide a copy of the Declaration, the Securities Guarantee and the Indenture to a Holder without charge upon written request to the Trust at its principal place of business.

Upon receipt of this certificate, the Holder is bound by the Declaration and is entitled to the benefits thereunder.

By acceptance, the Holder agrees to treat, for United States federal income tax purposes, the Debentures as indebtedness and the Securities as evidence of indirect beneficial ownership in the Debentures.

IN WITNESS WHEREOF, the Trust has executed this certificate this

day of \_\_\_\_\_, 199 .

-----

WASHINGTON WATER POWER CAPITAL I

By:

-----

Name:

Title: Regular Trustee

[FORM OF REVERSE OF SECURITY]

Distributions payable on each Security will be fixed at a rate per annum of \_\_\_\_\_ % (the "Coupon Rate") of the stated liquidation amount of

-----  
\$ \_\_\_\_\_ per Security, such rate being the rate of interest payable on the

-----  
Debentures to be held by the Institutional Trustee. Distributions in arrears for more than one Distribution period will bear interest thereon compounded \_\_\_\_\_ at the Coupon Rate (to the extent permitted by

-----  
applicable law). The term "Distributions" as used herein includes such cash distributions and any such interest payable unless otherwise stated. A Distribution is payable only to the extent that payments are made in respect of the Debentures held by the Institutional Trustee and to the extent the Institutional Trustee has funds available therefor. The amount of Distributions payable for any period will be computed for any full Distribution period on the basis of a 360-day year of twelve

-----  
30-day months, and for any period shorter than a full

-----  
Distribution period for which Distributions are computed, Distributions will be computed on the basis of the actual number of days elapsed per \_\_\_\_\_-day Distribution period.

-----  
Except as otherwise described below, distributions on the Securities will be cumulative, will accrue from the date of original issuance and will be payable \_\_\_\_\_ in arrears, on \_\_\_\_\_ of each year, commencing on \_\_\_\_\_, 199 , to \_\_\_\_\_, 20 , to holders of

-----  
record on the relevant record dates (as specified in the Declaration) next preceding such payment dates, which payment dates shall correspond to the interest payment dates on the Debentures. The Debenture Issuer has the right under the Indenture to defer payments of interest by extending the interest payment period from time to time on the Debentures for a period not exceeding \_\_\_\_\_ consecutive Distribution periods (each an "Extension

-----  
Period") and as a consequence of such deferral, Distributions will also be deferred, provided, however, that no Extension Period shall last beyond the date of the maturity of the Debentures. Despite such deferral, \_\_\_\_\_

-----  
Distributions will continue to accrue with interest thereon (to the extent permitted by applicable law) at the Coupon Rate compounded \_\_\_\_\_ during

-----  
any such Extension Period. Prior to the termination of any such Extension Period, the Debenture Issuer may further extend such Extension Period; provided, however, that such Extension Period together with all such previous and further extensions thereof may not exceed \_\_\_\_\_ consecutive

-----  
Distribution periods or extend beyond the maturity of the Debentures. Payments of accrued Distributions will be payable to Holders as they appear on the books and records of the Trust on the first record date after the end of the Extension Period. Upon the termination of any Extension Period and the payment of all amounts then due, the Debenture Issuer may commence a new Extension Period, subject to the above requirements.

-----  
The Securities shall be redeemable as provided in the Declaration.

-----  
The Declaration and the Securities shall be governed by and construed in accordance with the laws of the State of Delaware, and all rights and remedies shall be governed by such laws without regard to principles of conflict of laws.

-----  
ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers this Security Certificate to:

-----  
-----  
-----  
(Insert assignee's social security or tax identification number)  
-----  
-----  
-----

-----  
-----  
-----  
(Insert address and zip code of assignee)

and irrevocably appoints

-----  
-----  
----- agent  
to transfer this Security Certificate on the books of the Trust. The agent  
may substitute another to act for him or her.

Date: -----

Signature: -----  
(Sign exactly as your name appears on the other side of this Security Certificate)

Signature Guarantee\* -----

-----  
\* Signature must be guaranteed by an "eligible guarantor institution" that is a bank, stockbroker, savings and loan association or credit union meeting the requirements of the Registrar, which requirements include membership or participation in the Securities Transfer Agents Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities and Exchange Act of 1934, as amended.







IN WITNESS WHEREOF, the Trust has executed this certificate this  
day of \_\_\_\_\_, 199 .

WASHINGTON WATER POWER CAPITAL I

By:

-----  
Name:  
Title: Regular Trustee

[FORM OF REVERSE OF SECURITY]

Distributions payable on each Common Security will be fixed at a rate per annum of \_\_\_\_\_ % (the "Coupon Rate") of the stated liquidation

amount of \$ \_\_\_\_\_ per Common Security, such rate being the rate of interest

payable on the Debentures to be held by the Institutional Trustee. Distributions in arrears for more than one Distribution period will bear interest thereon compounded \_\_\_\_\_ at the Coupon Rate (to the extent

permitted by applicable law). The term "Distributions" as used herein includes such cash distributions and any such interest payable unless otherwise stated. A Distribution is payable only to the extent that payments are made in respect of the Debentures held by the Institutional Trustee and to the extent the Institutional Trustee has funds available therefor. The amount of Distributions payable for any period will be computed for any full \_\_\_\_\_ Distribution period on the basis of a

360-day year of twelve 30-day months, and for any period shorter than a full \_\_\_\_\_ Distribution period for which Distributions are computed,

Distributions will be computed on the basis of the actual number of days elapsed per \_\_\_\_\_-day Distribution period.

Except as otherwise described below, distributions on the Common Securities will be cumulative, will accrue from the date of original issuance and will be payable \_\_\_\_\_ in arrears, on \_\_\_\_\_ of each

year, commencing on \_\_\_\_\_, 199 , to \_\_\_\_\_, 20 , to Holders of

record on the relevant record dates (as specified in the Declaration) next preceding such payment dates, which payment dates shall correspond to the interest payment dates on the Debentures. The Debenture Issuer has the right under the Indenture to defer payments of interest by extending the interest payment period from time to time on the Debentures for a period not exceeding \_\_\_\_\_ consecutive Distribution periods (each an "Extension

Period") and as a consequence of such deferral, Distributions will also be deferred; provided, however, that no Extension Period shall last beyond the date of the maturity of the Debentures. Despite such deferral,

Distributions will continue to accrue with interest thereon (to the extent permitted by applicable law) at the Coupon Rate compounded \_\_\_\_\_ during

any such Extension Period. Prior to the termination of any such Extension Period, the Debenture Issuer may further extend such Extension Period; provided, however, that such Extension Period together with all such previous and further extensions thereof may not exceed \_\_\_\_\_ consecutive

Distribution periods or extend beyond the maturity date of the Debentures. Payments of accrued Distributions will be payable to Holders as they appear on the books and records of the Trust on the first record date after the end of the Extension Period. Upon the termination of any Extension Period and the payment of all amounts then due, the Debenture Issuer may commence a new Extension Period, subject to the above requirements.

The Common Securities shall be redeemable as provided in the Declaration.

The Declaration and the Common Securities shall be governed by and construed in accordance with the laws of the State of Delaware, and all rights and remedies shall be governed by such laws without regard to principles of conflict of laws.

-----  
ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers this Common Security Certificate to:

-----  
-----  
-----  
(Insert assignee's social security or tax identification number)

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-----  
-----  
(Insert address and zip code of assignee)

and irrevocably appoints

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-----  
agent to transfer

-----  
this Common Security Certificate on the books of the Trust. The agent may substitute another to act for him or her.

Date:

-----  
Signature:

-----  
(Sign exactly as your name appears on the other side of this Common Security Certificate)

Signature Guarantee\*:  
-----

-----  
\* Signature must be guaranteed by an "eligible guarantor institution" that is a bank, stockbroker, savings and loan association or credit union meeting the requirements of the Registrar, which requirements include membership or participation in the Securities Transfer Agents Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities and Exchange Act of 1934, as amended.

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AMENDED AND RESTATED DECLARATION

OF TRUST

WASHINGTON WATER POWER CAPITAL II

Dated as of \_\_\_\_\_, 199

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CROSS-REFERENCE TABLE\*

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Section of Trust Indenture Act of 1939, as amended -----	Section of Declaration -----
310(a) . . . . .	5.3(a)
310(b) . . . . .	5.3(c)
310(c) . . . . .	Inapplicable
311(a) . . . . .	2.2(b)
311(b) . . . . .	2.2(b)
311(c) . . . . .	Inapplicable
312(a) . . . . .	2.2(a)
312(b) . . . . .	2.2(b)
313 . . . . .	2.3
314(a) . . . . .	2.4
314(b) . . . . .	Inapplicable
314(c) . . . . .	2.5
314(d) . . . . .	Inapplicable
314(e) . . . . .	1.1 (Definition of Officer's Certificate)
314(f) . . . . .	Inapplicable
315(a) . . . . .	3.9(a)
315(b) . . . . .	2.7
315(c) . . . . .	3.9(b)
315(d) . . . . .	3.9(c)
316(a) . . . . .	2.6; Annex I, Section 5
316(c) . . . . .	3.6(e)
317(a) . . . . .	3.8(h)
317(b) . . . . .	3.8(i)
318 . . . . .	2.1

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\* This Cross-Reference Table does not constitute part of the Declaration and shall not affect the interpretation of any of its terms or provisions.



AMENDED AND RESTATED  
DECLARATION OF TRUST  
OF  
WASHINGTON WATER POWER CAPITAL II

, 199

AMENDED AND RESTATED DECLARATION OF TRUST ("Declaration") dated and effective as of \_\_\_\_\_, 199 , by the Trustees (as defined herein), the Sponsor (as defined herein) and by the holders, from time to time, of undivided beneficial interests in the Trust to be issued pursuant to this Declaration;

WHEREAS, the Trustees and the Sponsor established Washington Water Power Capital II (the "Trust"), a trust under the Delaware Business Trust Act pursuant to a Declaration of Trust dated as of November 4, 1996 (the "Original Declaration"), and a Certificate of Trust filed with the Secretary of State of the State of Delaware on November 4, 1996, for the sole purpose of issuing and selling certain securities representing undivided beneficial interests in the assets of the Trust and investing the proceeds thereof in certain Debentures of the Debenture Issuer;

WHEREAS, as of the date hereof, no interests in the Trust have been issued;

WHEREAS, all of the Trustees and the Sponsor, by this Declaration, amend and restate each and every term and provision of the Original Declaration; and

NOW, THEREFORE, it being the intention of the parties hereto to continue the Trust as a business trust under the Business Trust Act and that this Declaration constitute the governing instrument of such business trust, the Trustees declare that all assets contributed to the Trust will be held in trust for the benefit of the holders, from time to time, of the securities representing undivided beneficial interests in the assets of the Trust issued hereunder, subject to the provisions of this Declaration.

ARTICLE I  
INTERPRETATION AND DEFINITIONS

SECTION 1.1 Definitions.

Unless the context otherwise requires:

(a) Capitalized terms used in this Declaration but not defined in the preamble above have the respective meanings assigned to them in this Section 1.1;

(b) a term defined anywhere in this Declaration has the same meaning throughout;

(c) all references to "the Declaration" or "this Declaration" are to this Declaration as modified, supplemented or amended from time to time;

(d) all references in this Declaration to Articles and Sections and Annexes and Exhibits are to Articles and Sections of and Annexes and Exhibits to this Declaration unless otherwise specified;

(e) a term defined in the Trust Indenture Act has the same meaning when used in this Declaration unless otherwise defined in this Declaration or unless the context otherwise requires; and

(f) a reference to the singular includes the plural and vice versa.

"Affiliate" has the same meaning as given to that term in Rule 405 of the Securities Act or any successor rule thereunder.

"Agent" means any Paying Agent.

"Authorized Officer" of a Person means any Person that is  
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authorized to legally bind such Person.

"Business Day" means any day other than Saturday, Sunday or any  
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other day on which banking institutions in the City of Wilmington, Delaware  
and The City of New York are authorized or required by any applicable law  
to close.

"Business Trust Act" means Chapter 38 of Title 12 of the Delaware  
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Code, 12 Del. Code Section 3801 et seq., as it may be amended from time to  
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time, or any successor legislation.

"Certificate" means a Common Security Certificate or a Security  
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Certificate.

"Closing Date" means the "Closing Time" and each "Date of  
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Delivery" under the Underwriting Agreement.

"Code" means the Internal Revenue Code of 1986, as amended from  
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time to time, or any successor legislation.

"Commission" means the Securities and Exchange Commission.  
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"Common Securities" has the meaning specified in Section 7.1.(a).  
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"Common Securities Guarantee" means the guarantee agreement to be  
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dated as of \_\_\_\_\_, 199\_ of the Sponsor in respect of the Common  
Securities.

"Common Security Certificate" means a certificate in fully  
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registered form representing a Common Security substantially in the form of  
Exhibit A-2.

"Company Indemnified Person" means (a) any Regular Trustee; (b)  
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any Affiliate of any Regular Trustee; (c) any officers, directors,  
shareholders, members, partners, employees, representatives or agents of  
any Regular Trustee; or (d) any officer, employee or agent of the Trust or  
its Affiliates.

"Corporate Trust Office" means the office of the Institutional  
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Trustee at which the corporate trust business of the Institutional Trustee  
shall, at any particular time, be principally administered, which office at  
the date of execution of this Agreement is located at Rodney Square North,  
1100 North Market Street, Wilmington, Delaware 19890.

"Covered Person" means: (a) any officer, director, shareholder,  
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partner, member, representative, employee or agent of (i) the Trust or (ii)  
the Trust's Affiliates; and (b) any Holder of Trust Securities.

"Debenture Issuer" means The Washington Water Power Company, a  
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Washington corporation, or any successor entity resulting from any  
consolidation, amalgamation, merger or other business combination, in its  
capacity as issuer of the Debentures under the Indenture.

"Debenture Trustee" means Wilmington Trust Company, a Delaware  
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banking corporation, as trustee under the Indenture until a successor is  
appointed thereunder, and thereafter means such successor trustee.

"Debentures" means the series of Debentures to be issued by the  
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Debenture Issuer under the Indenture to be held by the Institutional  
Trustee.

"Delaware Trustee" has the meaning set forth in Section 5.2.

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"Depository" has the meaning set forth in Section 9.1.  
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"Distribution" means a distribution payable to Holders of Trust  
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Securities in accordance with Section 6.1.

"Event of Default", in respect of the Trust Securities, means an  
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Event of Default as defined in the Indenture, so long as the same shall be  
continuing under the Indenture.

"Exchange Act" means the Securities Exchange Act of 1934, as  
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amended from time to time, or any successor legislation.

"Fiduciary Indemnified Person" has the meaning set forth in  
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Section 10.4(b).

"Guarantees" means the Common Securities Guarantee and the  
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Securities Guarantee.

"Holder" means a Person in whose name a Certificate representing  
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a Trust Security is registered, such Person being a beneficial owner within  
the meaning of the Business Trust Act.

"Indemnified Person" means a Company Indemnified Person or a  
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Fiduciary Indemnified Person.

"Indenture" means the Indenture dated as of \_\_\_\_\_ 1, 199\_,  
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between the Debenture Issuer and the Debenture Trustee, as supplemented.

"Institutional Trustee" has the meaning set forth in Section 5.3.  
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"Institutional Trustee Account" has the meaning set forth in  
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Section 3.8(c)(i).

"Investment Company" means an investment company as defined in  
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the Investment Company Act.

"Investment Company Act" means the Investment Company Act of  
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1940, as amended from time to time, or any successor legislation.

"Legal Action" has the meaning set forth in Section 3.6(g).  
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"Majority in liquidation amount of the Trust Securities" means,  
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except as provided in the terms of the Securities or by the Trust Indenture  
Act, Holder(s) of outstanding Trust Securities voting together as a single  
class or, as the context may require, Holders of outstanding Securities or  
Holders of outstanding Common Securities voting separately as a class, who  
are the record owners of more than 50% of the aggregate liquidation amount  
(including the stated amount that would be paid on redemption, liquidation  
or otherwise, plus accrued and unpaid Distributions to the date upon which  
the voting percentages are determined) of all outstanding Trust Securities  
of the relevant class.

"Ministerial Action" has the meaning set forth in the terms of  
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the Trust Securities as set forth in Annex I.

"Officer's Certificate" means, with respect to any Person, a  
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certificate signed by an Authorized Officer of such Person. Any Officer's  
Certificate delivered with respect to compliance with a condition or  
covenant provided for in this Declaration shall include:

(a) a statement that each officer signing the Officers' Certificate  
has read such covenant or condition and the definitions herein relating

thereto;

(b) a brief statement of the nature and scope of the examination or investigation upon which the statements contained in such Officer's Certificate are based;

(c) a statement that, in the opinion of such officer, such officer has made such examination or investigation as is necessary to enable such officer to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of such officer, such condition or covenant has been complied with.

"Paying Agent" has the meaning specified in Section 7.2.  
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"Person" means a legal person, including any individual,  
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corporation, estate, partnership, joint venture, association, joint stock company, limited liability company, trust, unincorporated association, or government or any agency or political subdivision thereof, or any other entity of whatever nature.

"Quorum" means a majority of the Regular Trustees or, if there  
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are only two Regular Trustees, both of them.

"Registrar" means the registrar for the Securities appointed by  
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the Trust and shall initially be Wilmington Trust Company.

"Regular Trustee" has the meaning set forth in Section 5.1.  
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"Related Party" means, with respect to the Sponsor, any direct or  
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indirect wholly owned subsidiary of the Sponsor or any other Person that owns, directly or indirectly, 100% of the outstanding voting securities of the Sponsor.

"Responsible Officer" means, with respect to the Institutional  
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Trustee, any officer of the Institutional Trustee assigned by the Institutional Trustee to administer its corporate trust matters.

"Rule 3a-5" means Rule 3a-5 under the Investment Company Act, or  
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any successor rule or regulation.

"Securities" has the meaning specified in Section 7.1(a).  
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"Securities Act" means the Securities Act of 1933, as amended  
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from time to time, or any successor legislation.

"Security Certificate" means a certificate representing a  
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Security substantially in the form of Exhibit A-1.

"Securities Guarantee" means the guarantee agreement to be dated  
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as of \_\_\_\_\_, 199\_, of the Sponsor in respect of the Securities.

"Sponsor" means The Washington Water Power Company, a Washington  
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corporation, or any successor entity resulting from any consolidation, amalgamation, merger or other business combination, in its capacity as sponsor of the Trust.

"Tax Event" has the meaning set forth in Annex I hereto.  
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"10% in liquidation amount of the Trust Securities" means, except  
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as provided in the terms of the Securities or by the Trust Indenture Act, Holder(s) of outstanding Trust Securities voting together as a single class or, as the context may require, Holders of outstanding Securities or Holders of outstanding Common Securities voting separately as a class, who

are the record owners of 10% or more of the aggregate liquidation amount (including the stated amount that would be paid on redemption, liquidation or otherwise, plus accrued and unpaid Distributions to the date upon which the voting percentages are determined) of all outstanding Trust Securities of the relevant class.

"Transfer Agent" means the transfer agent for the Securities  
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appointed by the Trust and shall initially be Wilmington Trust Company.

"Treasury Regulations" means the income tax regulations,  
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including temporary and proposed regulations, promulgated under the Code by the United States Treasury, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

"Trustee" or "Trustees" means each Person who has signed this  
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Declaration as a trustee, so long as such Person shall continue in office in accordance with the terms hereof, and all other Persons who may from time to time be duly appointed, qualified and serving as Trustees in accordance with the provisions hereof, and references herein to a Trustee or the Trustees shall refer to such Person or Persons solely in their capacity as trustees hereunder.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as  
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amended from time to time, or any successor legislation.

"Trust Property" means (i) the Debentures, (ii) any cash or  
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deposit in, or owing to, the Institutional Trustee Account and (iii) all proceeds and rights in respect of the foregoing and any other property and assets for the time being held by the Institutional Trustee pursuant to the trusts of this Declaration.

"Trust Securities" means the Common Securities and the  
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Securities.

"Underwriting Agreement" means the Underwriting Agreement for the  
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offering and sale of Securities.

ARTICLE II  
TRUST INDENTURE ACT

SECTION 2.1 Trust Indenture Act; Application.  
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(a) This Declaration is subject to the provisions of the Trust Indenture Act that are required to be part of this Declaration and shall, to the extent applicable, be governed by such provisions.

(b) The Institutional Trustee shall be the only Trustee which is a Trustee for the purposes of the Trust Indenture Act.

(c) If and to the extent that any provision of this Declaration limits, qualifies or conflicts with the duties imposed by Sections 310 to 317, inclusive, of the Trust Indenture Act, such imposed duties shall control.

(d) The application of the Trust Indenture Act to this Declaration shall not affect the nature of the Trust Securities as equity securities representing undivided beneficial interests in the assets of the Trust.

SECTION 2.2 Lists of Holders of Trust Securities.  
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(a) Each of the Sponsor and the Regular Trustees on behalf of the Trust shall provide the Institutional Trustee (i) within 14 days after each record date for payment of Distributions, a list, in such form as the Institutional Trustee may reasonably require, of the names and addresses of the Holders of the Trust Securities ("List of Holders") as of such record date; provided, however, that neither the Sponsor nor the Regular Trustees on behalf of the Trust shall be obligated to provide such List of Holders at any time the List of Holders does not differ from the most recent List of Holders given to the Institutional Trustee by the Sponsor and the Regular Trustees on behalf of the Trust; and provided, further, that in any

event such List of Holders will be provided to the Institutional Trustee not less than once every 6 months pursuant to this Section 2.2(a)(i), and (ii) at any other time, within 30 days of receipt by the Trust of a written request for a List of Holders as of a date no more than 14 days before such List of Holders is given to the Institutional Trustee. The Institutional Trustee shall preserve, in as current a form as is reasonably practicable, all information contained in Lists of Holders given to it or which it receives in the capacity as Paying Agent (if acting in such capacity) provided, however, that the Institutional Trustee may destroy any List of Holders previously given to it on receipt of a new List of Holders.

(b) The Institutional Trustee shall comply with its obligations under Sections 311(a), 311(b) and 312(b) of the Trust Indenture Act.

SECTION 2.3 Reports by the Institutional Trustee.  
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Within 60 days after May 15 of each year, the Institutional Trustee shall provide to the Holders of the Securities such reports as are required by Section 313 of the Trust Indenture Act, if any, in the form and in the manner provided by Section 313 of the Trust Indenture Act. The Institutional Trustee shall also comply with the requirements of Section 313(d) of the Trust Indenture Act.

SECTION 2.4 Periodic Reports to Institutional Trustee.  
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Each of the Sponsor and the Regular Trustees on behalf of the Trust shall provide to the Institutional Trustee such documents, reports and information as required by Section 314 (if any) and the compliance certificate required by Section 314 of the Trust Indenture Act in the form, in the manner and at the times required by Section 314 of the Trust Indenture Act.

SECTION 2.5 Evidence of Compliance with Conditions Precedent.  
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Each of the Sponsor and the Regular Trustees on behalf of the Trust shall provide to the Institutional Trustee such evidence of compliance with any conditions precedent, if any, provided for in this Declaration that relate to any of the matters set forth in Section 314(c) of the Trust Indenture Act. Any certificate or opinion required to be given by an officer pursuant to Section 314(c)(1) may be given in the form of an Officer's Certificate.

SECTION 2.6 Events of Default; Waiver.  
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(a) The Holders of a Majority in liquidation amount of Securities may, by vote, on behalf of the Holders of all of the Securities, waive any past Event of Default in respect of the Securities and its consequences; provided, however, that if the underlying Event of Default under the Indenture is not waivable under the Indenture, the Event of Default under the Declaration shall also not be waivable.

Upon such waiver, any such default shall cease to exist, and any Event of Default with respect to the Securities arising therefrom shall be deemed to have been cured, for every purpose of this Declaration, but no such waiver shall extend to any subsequent or other default or an Event of Default with respect to the Securities or impair any right consequent thereon. Any waiver by the Holders of the Securities of an Event of Default with respect to the Securities shall also be deemed to constitute a waiver by the Holders of the Common Securities of any such Event of Default with respect to the Common Securities for all purposes of this Declaration without any further act, vote, or consent of the Holders of the Common Securities.

(b) The Holders of a Majority in liquidation amount of the Common Securities may, by vote, on behalf of the Holders of all of the Common Securities, waive any past Event of Default with respect to the Common Securities and its consequences; provided, however, that if the underlying Event of Default under the Indenture is not waivable under the Indenture, except where the Holders of the Common Securities are deemed to have waived such Event of Default under the Declaration as provided below in this Section 2.6(b), the Event of Default under the Declaration shall also not be waivable; and

provided, further, that, each Holder of Common Securities will be deemed to have waived any such Event of Default and all Events of Default with respect to the Common Securities and its consequences until all Events of Default with respect to the Securities have been cured, waived or otherwise

eliminated, and until such Events of Default have been so cured, waived or otherwise eliminated, the Institutional Trustee will be deemed to be acting solely on behalf of the Holders of the Securities and only the Holders of the Securities will have the right to direct the Institutional Trustee in accordance with the terms of the Trust Securities. Subject to the foregoing provisions of this Section 2.6(b), upon such waiver, any such default shall cease to exist and any Event of Default with respect to the Common Securities arising therefrom shall be deemed to have been cured for every purpose of this Declaration, but no such waiver shall extend to any subsequent or other default or Event of Default with respect to the Common Securities or impair any right consequent thereon.

(c) A waiver of an Event of Default under the Indenture by the Institutional Trustee at the direction of the Holders of the Securities shall constitute a waiver of the corresponding Event of Default under this Declaration.

SECTION 2.7 Notice of Event of Default.  
-----

The Institutional Trustee shall give notice of any default hereunder to the Holders of Trust Securities in the manner and to the extent required to do so by the Trust Indenture Act, unless such default shall have been cured or waived; provided, however, that in the case of any default hereunder arising out of a default of the character specified in Section 701(c) of the Indenture, no such notice to Holders shall be given until at least seventy-five (75) days after the occurrence thereof; and provided, further, that, subject to the provisions of Section 3.9, the Institutional Trustee shall not be deemed to have knowledge of such default unless either (i) a Responsible Officer of the Institutional Trustee shall have actual knowledge of such default or (ii) the Institutional Trustee shall have received written notice thereof from the Debenture Issuer, the Sponsor, any Regular Trustee or any Holder. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time, or both, would become, an Event of Default.

ARTICLE III  
ORGANIZATION

SECTION 3.1 Name.  
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The Trust is named "Washington Water Power Capital II," as such name may be modified from time to time by the Regular Trustees following written notice to the Holders of Securities. The Trust's activities may be conducted under the name of the Trust or any other name deemed advisable by the Regular Trustees.

SECTION 3.2 Office.  
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The address of the principal office of the Trust is c/o The Washington Water Power Company, 1411 East Mission Avenue, Spokane, Washington 99202. On ten Business Days' written notice to the Holders of Trust Securities, the Regular Trustees may designate another principal office.

SECTION 3.3 Purpose.  
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The exclusive purposes and functions of the Trust are (a) to issue and sell Trust Securities and use the proceeds from such sale to acquire the Debentures, and (b) except as otherwise limited herein, to engage in only those other activities necessary or incidental thereto. The Trust shall not borrow money, issue debt or reinvest proceeds derived from investments, pledge any of its assets, or otherwise undertake (or permit to be undertaken) any activity that would cause the Trust to be treated for United States federal income tax purposes as an association taxable as a corporation.

SECTION 3.4 Authority.  
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Subject to the limitations provided in this Declaration and to the specific duties of the Institutional Trustee, the Regular Trustees shall have exclusive and complete authority to carry out the purposes of the Trust. An action taken by the Regular Trustees in accordance with their powers shall constitute the act of and serve to bind the Trust and an action taken by the Institutional Trustee on behalf of the Trust in accordance with its powers shall constitute the act of and serve to bind

the Trust. In dealing with the Trustees acting on behalf of the Trust, no person shall be required to inquire into the authority of the Trustees to bind the Trust. Persons dealing with the Trust are entitled to rely conclusively on the power and authority of the Trustees as set forth in this Declaration.

SECTION 3.5 Title to Property of the Trust.  
-----

Except as provided in Section 3.8 with respect to the Debentures and the Institutional Trustee Account or as otherwise provided in this Declaration, legal title to all assets of the Trust shall be vested in the Trust. The Holders shall not have legal title to any part of the assets of the Trust, but shall have an undivided beneficial interest in the assets of the Trust.

SECTION 3.6 Powers and Duties of the Regular Trustees.  
-----

The Regular Trustees shall have the exclusive power, duty and authority to cause the Trust to engage in the following activities:

(a) to issue and sell the Securities and the Common Securities in accordance with this Declaration; provided, however, that, the Trust may issue no more than one series of Securities and no more than one series of Common Securities and, provided further, that there shall be no interests in the Trust other than the Trust Securities, and the issuance of Trust Securities shall be limited to a simultaneous issuance of both Securities and Common Securities on each Closing Date;

(b) in connection with the issuance and sale of the Securities, at the direction of the Sponsor, to:

(i) execute and file with the Commission the registration statement on Form S-3 prepared by the Sponsor, including any amendments thereto, pertaining to the Securities;

(ii) execute and file any documents prepared by the Sponsor, or take any acts as determined by the Sponsor to be necessary in order to qualify or register all or part of the Securities in any state in which the Sponsor has determined to qualify or register such Securities for sale;

(iii) execute and file an application, prepared by the Sponsor, to The New York Stock Exchange, Inc. or any other national stock exchange or the Nasdaq Stock Market's National Market for listing upon notice of issuance of any Securities;

(iv) execute and file with the Commission a registration statement on Form 8-A, including any amendments thereto, prepared by the Sponsor, relating to the registration of the Securities under Section 12(b) of the Exchange Act; and

(v) execute and enter into the Underwriting Agreement providing for the sale of the Securities;

(c) to acquire the Debentures with the proceeds of the sale of the Securities and the Common Securities; provided, however, that the Regular Trustees shall cause the Debentures to be registered in the name of the Institutional Trustee as a Trustee hereunder;

(d) to give the Sponsor and the Institutional Trustee prompt written notice of the occurrence of a Tax Event; provided, however, that the Regular Trustees shall consult with the Sponsor and the Institutional Trustee before taking or refraining from taking any Ministerial Action in relation to a Tax Event;

(e) to establish a record date with respect to all actions to be taken hereunder that require a record date be established, including and with respect to, for the purposes of



316(c) of the Trust Indenture

Act, Distributions, voting rights, redemptions and exchanges, and to issue relevant notices to the Holders of Securities and Holders of Common Securities as to such actions and applicable record dates;

(f) to take all actions and perform such duties as may be required of the Regular Trustees pursuant to the terms of the Trust Securities;

(g) to bring or defend, pay, collect, compromise, arbitrate, resort to legal action, or otherwise adjust claims or demands of or against the Trust ("Legal Action"), unless pursuant to Section 3.8(e), the Institutional Trustee has the exclusive power to bring such Legal Action;

(h) to employ or otherwise engage employees and agents (who may be designated as officers with titles) and managers, contractors, advisors, and consultants and pay reasonable compensation for such services;

(i) to cause the Trust to comply with the Trust's obligations under the Trust Indenture Act;

314(a)(4) of (j) to give the certificate required by the Trust Indenture Act to the Institutional Trustee, which certificate may be executed by any Regular Trustee;

(k) to incur expenses that are necessary or incidental to carry out any of the purposes of the Trust;

(l) to act as, or appoint another Person to act as, Registrar and Transfer Agent for the Securities or to appoint a Paying Agent for the Trust Securities as provided in Section 7.2;

(m) to give prompt written notice to the Holders of the Trust Securities of any notice received from the Debenture Issuer of its election to defer payments of interest on the Debentures by extending the interest payment period under the Indenture;

(n) to execute all documents or instruments, perform all duties and powers, and do all things for and on behalf of the Trust in all matters necessary or incidental to the foregoing;

(o) to take all action that may be necessary or appropriate for the preservation and the continuation of the Trust's valid existence, rights, franchises and privileges as a statutory business trust under the laws of the State of Delaware and of each other jurisdiction in which such existence is necessary to protect the limited liability of the Holders of the Securities or to enable the Trust to effect the purposes for which the Trust was created;

(p) to take any action, not inconsistent with this Declaration or with applicable law, that the Regular Trustees determine in their discretion to be necessary or desirable in carrying out the activities of the Trust as set out in this Section 3.6, including, but not limited to:

(i) causing the Trust not to be deemed to be an Investment Company required to be registered under the Investment Company Act;

(ii) causing the Trust not to be treated for United States federal income tax purposes as an association taxable as a corporation; and

(iii) cooperating with the Debenture Issuer to ensure that the Debentures will be treated as indebtedness of the Debenture Issuer for United States federal income tax purposes;

provided, however, that such action does not materially and adversely affect the interests of Holders; and

(q) to take all action necessary to cause all applicable tax returns and tax information reports that are required to be filed with respect to the Trust to be duly prepared and filed by the Regular Trustees, on behalf of the Trust.

The Regular Trustees must exercise the powers set forth in this Section 3.6 in a manner that is consistent with the purposes and functions of the Trust set out in Section 3.3, and the Regular Trustees shall not take any action that is inconsistent with the purposes and functions of the Trust set forth in Section 3.3.

Subject to this Section 3.6, the Regular Trustees shall have none

of the powers or the authority of the Institutional Trustee set forth in Section 3.8.

Any expenses incurred by the Regular Trustees pursuant to this Section 3.6 shall be reimbursed by the Debenture Issuer.

SECTION 3.7 Prohibition of Actions by the Trust and the Trustees.  
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The Trust shall not, and the Trustees (including the Institutional Trustee) shall not, engage in any activity other than as required or authorized by this Declaration. In particular, the Trust shall not and the Trustees (including the Institutional Trustee) shall cause the Trust not to:

(i) invest any proceeds received by the Trust from holding the Debentures, but shall distribute all such proceeds to Holders of Trust Securities pursuant to the terms of this Declaration and of the Trust Securities;

(ii) acquire any assets other than as expressly provided herein;

(iii) possess Trust property for other than a Trust purpose;

(iv) make any loans or incur any indebtedness other than loans represented by the Debentures;

(v) possess any power or otherwise act in such a way as to vary the Trust assets or the terms of the Trust Securities in any way whatsoever;

(vi) issue any securities or other evidences of beneficial ownership of, or beneficial interest in, the Trust other than the Trust Securities; or

(vii) other than as provided in this Declaration or Annex I, (A) direct the time, method and place of exercising any trust or power conferred upon the Debenture Trustee with respect to the Debentures, (B) waive any past default that is waivable under the Indenture, (C) exercise any right to rescind or annul any declaration that the principal of all the Debentures shall be immediately due and payable, or (D) consent to any amendment, modification or termination of the Indenture or the Debentures where such consent shall be required unless the Trust shall have received an opinion of counsel to the effect that such modification will not cause more than an insubstantial risk that for United States federal income tax purposes the Trust will be treated as an association taxable as a corporation.

SECTION 3.8 Powers and Duties of the Institutional Trustee.  
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(a) The legal title to the Debentures shall be owned by and held of record in the name of the Institutional Trustee in trust for the benefit of the Holders of the Trust Securities. The right, title and interest of the Institutional Trustee to the Debentures shall vest automatically in each Person who may hereafter be appointed as Institutional Trustee in accordance with Section 5.7. Such vesting and cessation of title shall be effective whether or not conveyancing documents with regard to the Debentures have been executed and delivered.

(b) The Institutional Trustee shall not transfer its right, title and interest in the Debentures to the Regular Trustees or to the Delaware Trustee (it being understood, however, that the entity acting as Institutional Trustee may also act as Delaware Trustee).

(c) The Institutional Trustee shall:

(i) establish and maintain a segregated non-interest bearing trust account (the "Institutional Trustee Account") in the name of and under the exclusive control of the Institutional Trustee on behalf of the Holders of the Trust Securities and, upon the receipt of payments of funds made in respect of the Debentures held by the Institutional Trustee, deposit such funds into the Institutional Trustee Account and make payments to the Holders of the Trust Securities from the Institutional Trustee Account in accordance with Section 6.1. Funds in the Institutional Trustee Account shall be held uninvested until disbursed in accordance with this Declaration. The Institutional Trustee Account shall be an account that is maintained with a banking institution the rating on whose long-term unsecured indebtedness is at least equal to the rating assigned to the Securities by a nationally recognized statistical rating organization, within the meaning of Rule

436(g)(2) under the Securities Act or any successor rule or regulation;

(ii) engage in such ministerial activities as shall be necessary or appropriate to effect the redemption of the Securities and the Common Securities to the extent the Debentures are redeemed or mature; and

(iii) upon written notice of distribution issued by the Regular Trustees in accordance with the terms of the Trust Securities, engage in such ministerial activities as shall be necessary or appropriate to effect the distribution of the Debentures to Holders of Trust Securities upon the occurrence of certain special events (as may be defined in the terms of the Trust Securities) arising from a change in law or a change in legal interpretation or other specified circumstances pursuant to the terms of the Trust Securities.

(d) The Institutional Trustee shall take all actions and perform all duties that may be specifically required of the Institutional Trustee pursuant to the terms of the Trust Securities.

(e) The Institutional Trustee shall take any Legal Action which arises out of or in connection with an Event of Default of which a Responsible Officer of the Institutional Trustee has actual knowledge or the Institutional Trustee's duties and obligations under this Declaration or the Trust Indenture Act, and if such Institutional Trustee shall have failed to take such Legal Action, the Holders of the Securities may take such Legal Action, to the same extent as if such Holders of Securities held a principal amount of Debentures equal to the liquidation amount of such Securities, without first proceeding against the Institutional Trustee or the Trust; provided, however, that if an Event of Default has occurred and is continuing and such event is attributable to the failure of the Debenture Issuer to pay interest or principal on the Debentures on the date such interest or principal is otherwise payable (or in the case of redemption, on the redemption date), then a Holder of Securities may directly institute a proceeding for enforcement of payment to such Holder of the principal of or interest on the Debentures having a principal amount equal to the aggregate liquidation amount of the Securities of such Holder (a "Direct Action") on or after the respective due date specified in the Debentures. In connection with such Direct Action, the rights of the Holders of the Common Securities will be subrogated to the rights of such Holder of Securities to the extent of any payment made by the Issuer to such Holder of Securities in such Direct Action. Except as provided in the preceding sentences, the Holders of Securities will not be able to exercise directly any other remedy available to the holders of the Debentures.

(f) The Institutional Trustee shall not resign as a Trustee unless either:

(i) the Trust has been completely liquidated and the proceeds of the liquidation distributed to the Holders of Trust Securities pursuant to the terms of the Trust Securities; or

(ii) a Successor Institutional Trustee has been appointed and has accepted that appointment in accordance with Section 5.7.

(g) The Institutional Trustee shall have the legal power to exercise all of the rights, powers and privileges of a holder of Debentures under the Indenture and, if an Event of Default actually known to a Responsible Officer of the Institutional Trustee occurs and is continuing, the Institutional Trustee shall, for the benefit of Holders of the Trust Securities, enforce its rights as holder of the Debentures subject to the rights of the Holders pursuant to the terms of such Trust Securities.

(h) The Institutional Trustee shall be authorized to undertake all actions set forth in Section 317(a) of the Trust Indenture Act.

(i) The Institutional Trustee may, with the consent of the Regular Trustees, authorize one or more Persons (each, a "Paying Agent") to pay Distributions, redemption payments or liquidation payments on behalf of the Trust with respect to all Trust Securities and any such Paying Agent shall comply with Section 317(b) of the Trust Indenture Act. Any Paying Agent may be removed by the Institutional Trustee at any time and a successor Paying Agent or additional Paying Agents may be appointed at any time by the Institutional Trustee.

(j) Subject to this Section 3.8, the Institutional Trustee shall have none of the duties, liabilities, powers or the authority of the Regular Trustees set forth in Section 3.6.

The Institutional Trustee must exercise the powers set forth in

this Section 3.8 in a manner that is consistent with the purposes and functions of the Trust set out in Section 3.3, and the Institutional Trustee shall not take any action that is inconsistent with the purposes and functions of the Trust set out in Section 3.3.

SECTION 3.9 Certain Duties and Responsibilities.  
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(a) The Institutional Trustee, before the occurrence of any Event of Default and after the curing of all Events of Default that may have occurred, shall undertake to perform only such duties as are specifically set forth in this Declaration and in the terms of the Trust Securities and no implied covenants shall be read into this Declaration against the Institutional Trustee. In case an Event of Default has occurred (that has not been cured or waived), the Institutional Trustee shall exercise such of the rights and powers vesting in it by this Declaration, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

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

(i) prior to the occurrence of an Event of Default and after the curing or waiving of all such Events of Default that may have occurred:

(A) the duties and obligations of the Institutional Trustee shall be determined solely by the express provisions of this Declaration and in the terms of the Trust Securities, and the Institutional Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Declaration, and no implied covenants or obligations shall be read into this Declaration against the Institutional Trustee; and

(B) in the absence of bad faith on the part of the Institutional Trustee, the Institutional 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 Institutional Trustee and conforming to the requirements of this Declaration; provided, however, that in the case of any such certificates or opinions that by any provision hereof are specifically required to be furnished to the Institutional Trustee, the Institutional Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Declaration;

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

(iii) the Institutional 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 at least a Majority in liquidation amount of the outstanding Trust Securities relating to the time, method and place of conducting any proceeding for any remedy available to the Institutional Trustee or exercising any trust or power conferred upon the Institutional Trustee under this Declaration;

(iv) no provision of this Declaration shall require any of the Trustees to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it;

(v) the Institutional Trustee's sole duty with respect to the custody, safe keeping and physical preservation of the Trust Property shall be to deal with such property in a similar manner as the Institutional Trustee deals with similar property for its own account, subject to the protections and limitations on liability afforded to the Institutional Trustee under this Declaration, the Trust Indenture Act and, to the extent applicable, Rule 3a-7 under the Investment Company Act;

(vi) the Institutional Trustee shall have no duty or liability for, or with respect to the value, genuineness, existence or sufficiency of, the Trust Property or the payment of any taxes or assessments levied thereon or in connection therewith;

(vii) the Institutional Trustee shall not be liable for any interest on any money received by it except as it may otherwise agree with the Sponsor. Money held by the Institutional Trustee need not be segregated from other funds held by it except in relation to the Institutional Trustee Account established by the Institutional Trustee pursuant to this Declaration and except to the extent otherwise required by law; and

(viii) the Institutional Trustee shall not be responsible for monitoring the compliance by the Regular Trustees or the Sponsor with their respective duties under this Declaration, nor shall the Institutional Trustee be liable for the default or misconduct of the Regular Trustees or the Sponsor.

(c) All payments made by the Institutional Trustee or a Paying Agent in respect of the Trust Securities shall be made only from the income and proceeds from the Trust Property to enable the Institutional Trustee or Paying Agent to make payments in accordance with the terms hereof. Each Holder, by its acceptance of a Trust Security, agrees that it will look solely to the income and proceeds from the Trust Property to the extent available for distribution to it as herein provided and that the Trustees are not personally liable to it for any amount distributable in respect of any Trust Security or for any other liability in respect of any Trust Security. This Section 3.9(c) does not limit the liability of the Trustees expressly set forth elsewhere in this Declaration or, in the case of the Institutional Trustee, in the Trust Indenture Act.

(d) No Regular Trustee shall be liable for any act or omission to act hereunder, except for its own gross negligence or wilful misconduct.

SECTION 3.10 Certain Rights of Institutional Trustee.  
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Subject to the provisions of Section 3.9 and to the applicable provisions of the Trust Indenture Act:

(a) the Institutional Trustee may rely and shall be protected in acting or refraining from acting in good faith upon any resolution, opinion of counsel, certificate, written representation of a Holder or transferee, certificate of auditors or any other certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, appraisal, bond, debenture, note, other evidence of indebtedness or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) if (A) in performing its duties under this Declaration the Institutional Trustee is required to decide between alternative courses of action or (B) in construing any of the provisions in this Declaration the Institutional Trustee finds the same ambiguous or inconsistent with any other provisions contained herein or (C) the Institutional Trustee is unsure of the application of any provision of this Declaration, then, except as to any matter as to which the Holders of Securities are entitled to vote under the terms of this Declaration, the Institutional Trustee shall deliver a notice to the Sponsor requesting written instructions of the Sponsor as to the course of action to be taken. The Institutional Trustee shall take such action, or refrain from taking such action, as the Institutional Trustee shall be instructed in writing to take, or to refrain from taking, by the Sponsor; provided, however, that if the Institutional Trustee does not receive such instructions of the Sponsor within 10 Business Days after it has delivered such notice, or such reasonably shorter period of time set forth in such notice (which to the extent practicable shall not be less than 2 Business Days), it may, but shall be under no duty to, take or refrain from taking such action not inconsistent with this Declaration as it shall deem advisable and in the best interests of the Holders, in which event the Institutional Trustee shall have no liability except for its own bad faith, negligence or wilful misconduct;

(c) whenever in the administration of this Declaration the Institutional Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Institutional Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part,

request and rely upon an Officer's Certificate;

(d) the Institutional Trustee may consult with counsel of its selection, and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Institutional Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Declaration at the request or direction of any of the Holders pursuant to this Declaration, unless such Holders shall have offered to the Institutional Trustee reasonable security or indemnity against the costs, expenses (including reasonable attorneys' fees and expenses) and liabilities which might be incurred by it in complying with such request or direction;

(f) the Institutional 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, approval, bond, debenture, note or other evidence of indebtedness or other paper or document reasonably believed by it to be genuine, unless requested in writing to do so by one or more Holders, but the Institutional Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit;

(g) the Institutional Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through its agents or attorneys, and the Institutional Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder; provided, however, that the Institutional Trustee shall be responsible for its own negligence or recklessness with respect to selection of any agent or attorney appointed by it hereunder;

(h) the Institutional 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 Declaration;

(i) the Institutional Trustee shall not be charged with knowledge of any default or Event of Default with respect to the Trust Securities unless either (A) a Responsible Officer of the Institutional Trustee shall have actual knowledge of the default or Event of Default or (B) written notice of such default or Event of Default shall have been given to the Institutional Trustee by the Sponsor, the Regular Trustees or any Holder;

(j) no provision of this Declaration shall be deemed to impose any duty or obligation on the Institutional Trustee to perform any act or acts or exercise any right, power, duty or obligation conferred or imposed on it in any jurisdiction in which it shall be illegal, or in which the Institutional Trustee shall be unqualified or incompetent in accordance with applicable law, to perform any such act or acts or to exercise any such right, power, duty or obligation; and no permissive or discretionary power or authority available to the Institutional Trustee shall be construed to be a duty;

(k) no provision of this Declaration shall require the Institutional Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if the Institutional Trustee shall have reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to it under the terms of this Declaration or adequate indemnity against such risk or liability is not reasonably assured to it;

(l) the Institutional Trustee shall have no duty to see to any recording, filing or registration of any instrument (including any financing or continuation statement or any securities) (or any rerecording, refiling or reregistration thereof);

(m) the Institutional Trustee shall have the right at any time to seek instructions concerning the administration of this Declaration from any court of competent jurisdiction; and

(n) whenever in the administration of this Declaration the Institutional Trustee shall deem it desirable to receive instructions with respect to enforcing any remedy or right or taking any other action hereunder, the Institutional Trustee (A) may request

instructions from the Holders, which instructions may only be given by the Holders of the same amount of the Trust Securities as would be entitled to direct the Institutional Trustee under the terms of this Declaration in respect of such remedies, rights or actions, (B) may refrain from enforcing such remedy or right or taking such other action until such instructions are received, and (C) shall be protected in acting in accordance with such instructions.

SECTION 3.11 Delaware Trustee.  
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Notwithstanding any other provision of this Declaration other than Section 5.2, the Delaware Trustee shall not be entitled to exercise any powers, nor shall the Delaware Trustee have any of the duties and responsibilities of the Regular Trustees or the Institutional Trustee described in this Declaration. Except as set forth in Section 5.2, the Delaware Trustee shall be a trustee for the sole and limited purpose of fulfilling the requirements of Section 3807 of the Business Trust Act.

SECTION 3.12 Execution of Documents.  
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Unless otherwise determined by the Regular Trustees, and except as otherwise required by the Business Trust Act, a majority of or, if there are only two, any Regular Trustee or, if there is only one, such Regular Trustee is authorized to execute on behalf of the Trust any documents that the Regular Trustees have the power and authority to execute pursuant to Section 3.6; provided that, the registration statement referred to in

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Section 3.6(b)(i), including any amendments thereto, shall be signed by all of the Regular Trustees.

SECTION 3.13 Not Responsible for Recitals or Issuance of Trust  
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Securities.  
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The recitals contained in this Declaration and the Securities shall be taken as the statements of the Sponsor, and the Trustees do not assume any responsibility for their correctness. The Trustees make no representations as to the value or condition of the property of the Trust or any part thereof. The Trustees make no representations as to the validity or sufficiency of this Declaration or the Trust Securities.

SECTION 3.14 Duration of Trust.  
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The Trust, unless terminated pursuant to the provisions of Article VIII hereof, shall have existence for forty-five (45) years from the Closing Date.

SECTION 3.15 Mergers.  
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(a) The Trust may not merge, consolidate or amalgamate with or into, or enter into any other business combination with, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to any corporation or other body, except as described in Section 3.15(b) and (c).

(b) The Trust may, with the consent of the Regular Trustees or, if there are more than two, a majority of the Regular Trustees and without the consent of the Holders of the Trust Securities, the Delaware Trustee or the Institutional Trustee, merge, consolidate or amalgamate with or into, or enter into any other business combination with, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to, a trust organized as such under the laws of any state; provided, however, that:

(i) such successor entity (the "Successor Entity") either:

(A) expressly assumes all of the obligations of the Trust under the Trust Securities; or

(B) substitutes for the Trust Securities other securities having substantially the same terms as the Securities (the "Successor Securities") so long as the Successor Securities rank the same as the Securities rank with respect to Distributions and

payments upon liquidation, redemption and otherwise;

(ii) the Debenture Issuer expressly appoints a trustee of the Successor Entity that possesses the same powers and duties as the Institutional Trustee as the Holder of the Debentures;

(iii) the Securities or any Successor Securities are listed, or any Successor Securities will be listed upon notification of issuance, on any national securities exchange or with another organization on which the Securities are then listed or quoted, if any;

(iv) such merger, consolidation, amalgamation, other business combination, replacement, conveyance, transfer or lease does not cause the Securities (including any Successor Securities) to be downgraded by any nationally recognized statistical rating organization within the meaning of Rule 436(g)(12) under the Securities Act or any successor rule or regulation;

(v) such merger, consolidation, amalgamation, other business combination, replacement, conveyance, transfer or lease does not adversely affect the rights, preferences and privileges of the Holders of the Trust Securities (including any Successor Securities) in any material respect (other than with respect to any dilution of such Holders' interests in the Securities as a result of such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease);

(vi) such Successor Entity has a purpose identical to that of the Trust;

(vii) prior to such merger, consolidation, amalgamation, other business combination, replacement, conveyance, transfer or lease, the Sponsor has received an opinion of counsel to the effect that:

(A) such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not adversely affect the rights, preferences and privileges of the Holders of the Trust Securities (including any Successor Securities) in any material respect (other than with respect to any dilution of the Holders' interest in the new entity);

(B) following such merger, consolidation, amalgamation, other business combination, replacement, conveyance, transfer or lease, neither the Trust nor the Successor Entity will be required to register as an Investment Company; and

(C) following such merger, consolidation, amalgamation, other business combination, replacement, conveyance, transfer or lease the Trust (or the Successor Entity) will continue not to be treated as an association taxable as a corporation for United States federal income tax purposes; and

(viii) the Sponsor or any permitted successor guarantees the obligations of such Successor Entity under the Successor Securities at least to the extent provided by the Securities Guarantee.

(c) Notwithstanding Section 3.15(b), the Trust shall not, except with the consent of Holders of 100% in liquidation amount of the Trust Securities, merge, consolidate or amalgamate with or into, enter into any other business combination with or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to, any other entity or permit any other entity to merge, consolidate or amalgamate, merge with or into, enter into any other business combination with or replace it if such merger, consolidation, amalgamation, other business combination, replacement, conveyance, transfer or lease would cause the Trust or Successor Entity to be treated as an association taxable as a corporation for United States federal income tax purposes.

#### ARTICLE IV SPONSOR

##### SECTION 4.1 Sponsor's Purchase of Common Securities.

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On the Closing Date the Sponsor will purchase all of the Common Securities issued by the Trust, in an amount at least equal to 3% of the capital of the Trust, at the same time as the Securities are sold.

##### SECTION 4.2 Responsibilities of the Sponsor.



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In connection with the issuance and sale of the Securities, the Sponsor shall have the exclusive right and responsibility to engage in the following activities:

(a) to prepare for filing by the Trust with the Commission a registration statement on Form S-3 in relation to the Securities, including any amendments thereto;

(b) to determine the states in which to take appropriate action to qualify or register for sale all or part of the Securities and to do any and all such acts, other than actions which must be taken by the Trust, and advise the Trust of actions it must take, and prepare for execution and filing any documents to be executed and filed by the Trust, as the Sponsor deems necessary or advisable in order to comply with the applicable laws of any such states;

(c) to prepare for filing by the Trust an application to the New York Stock Exchange or any other national stock exchange or the Nasdaq National Market for listing upon notice of issuance of any Securities;

(d) to prepare for filing by the Trust with the Commission a registration statement on Form 8-A relating to the registration of the Securities under Section 12(b) of the Exchange Act, including any amendments thereto; and

(e) to negotiate the terms of the Underwriting Agreement providing for the sale of the Securities.

ARTICLE V  
TRUSTEES

SECTION 5.1      Number of Trustees.  
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The number of Trustees initially shall be three (3), and:

(a) at any time before the issuance of any Securities, the Sponsor may, by written instrument, increase or decrease the number of Trustees; and

(b) after the issuance of any Trust Securities, the number of Trustees may be increased or decreased by vote of the Holders of a majority in liquidation amount of the Common Securities voting as a class at a meeting of the Holders of the Common Securities; provided, however, that the number of Trustees shall in no event be less than two (2); and provided, further, that, (1) there shall be at least one Trustee who is an employee or officer of, or is affiliated with the Sponsor (a "Regular Trustee"); (2) one Trustee shall be the Institutional Trustee for so long as this Declaration is required to qualify as an indenture under the Trust Indenture Act, and such Trustee may also serve as Delaware Trustee if it meets the applicable requirements; and (3) there shall be a Delaware Trustee to the extent required under Section 5.2.

SECTION 5.2      Delaware Trustee.  
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If required by the Business Trust Act, one Trustee (the "Delaware Trustee") shall be:

(a) a natural person who is a resident of the state of Delaware; or

(b) if not a natural person, an entity which has its principal place of business in the State of Delaware, and otherwise meets the requirements of applicable law;

provided, however, that if the Institutional Trustee has its principal place of business in the State of Delaware and otherwise meets the requirements of applicable law, then the Institutional Trustee may also be the Delaware Trustee and Section 3.11 shall have no application.

SECTION 5.3      Institutional Trustee; Eligibility.  
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(a) There shall at all times be one Trustee which shall act as

"Institutional Trustee" which shall be:

(i) not an Affiliate of the Sponsor; and

(ii) a corporation organized and doing business under the laws of the United States, any state or territory thereof or the District of Columbia, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000) and subject to supervision or examination by federal, state, territorial or District of Columbia authority, or

(iii) if and to the extent permitted by the Commission by rule, regulation or order upon application, a corporation or other Person organized and doing business under the laws of a foreign government, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000) or the United States Dollar equivalent of the applicable foreign currency and subject to supervision or examination by authority of such foreign government or a political subdivision thereof substantially equivalent to supervision or examination applicable to United States institutional trustees,

and, in either case, qualified and eligible under this Article and the Trust Indenture Act. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of such supervising or examining authority, then for the purposes of this Section, 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.

(b) If at any time the Institutional Trustee shall cease to be eligible to so act under Section 5.3(a), the Institutional Trustee shall immediately resign in the manner and with the effect set forth in Section 5.7(c).

(c) If the Institutional Trustee has or shall acquire any "conflicting interest" within the meaning of Section 310(b) of the Trust Indenture Act, the Institutional Trustee and the Holder of the Common Securities (as if it were the obligor referred to in Section 310(b) of the Trust Indenture Act) shall in all respects comply with the provisions of Section 310(b) of the Trust Indenture Act.

(d) The Securities Guarantee shall be deemed to be specifically described in this Declaration for purposes of clause (i) of the first provision contained in Section 310(b) of the Trust Indenture Act.

(e) The initial Institutional Trustee shall be:

Wilmington Trust Company.

SECTION 5.4 Certain Qualifications of Regular Trustees and Delaware Trustee Generally.  
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Each Regular Trustee and the Delaware Trustee (unless the Institutional Trustee also acts as Delaware Trustee) shall be either a natural person who is at least 21 years of age or a legal entity that shall act through one or more Authorized Officers.

SECTION 5.5 Regular Trustees.  
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The initial Regular Trustees shall be:

Lawrence J. Pierce  
Dorothy K. Mercer.

(a) Except as expressly set forth in this Declaration and except if a meeting of the Regular Trustees is called with respect to any matter over which the Regular Trustees have power to act, any power of the Regular Trustees may be exercised by, or with the consent of, any one such Regular Trustee.

(b) Unless otherwise determined by the Regular Trustees, and except as otherwise required by the Business Trust Act or applicable law, any Regular Trustee is authorized to execute on behalf of the Trust any documents which the Regular Trustees have the power and authority to cause the Trust to execute pursuant to Section 3.6, provided, however, that the registration statement referred to in Section 3.6, including any amendments

thereto, shall be signed by all of the Regular Trustees.

(c) A Regular Trustee may, by power of attorney consistent with applicable law, delegate to any other natural person over the age of 21 his or her power for the purposes of signing any documents which the Regular Trustees have power and authority to cause the Trust to execute pursuant to Section 3.6.

SECTION 5.6 Delaware Trustee.  
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The initial Delaware Trustee shall be:

Wilmington Trust Company.

SECTION 5.7 Appointment, Removal and Resignation of Trustees.  
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(a) Subject to Section 5.7(b), Trustees may be appointed or removed without cause at any time except during an Event of Default:

(i) until the issuance of any Securities, by written instrument executed by the Sponsor; and

(ii) after the issuance of any Securities, by vote of the Holders of a Majority in liquidation amount of the Common Securities voting as a class at a meeting of the Holders of the Common Securities.

(b) (i) The Institutional Trustee shall not be removed in accordance with Section 5.7(a) until a Successor Institutional Trustee has been appointed and has accepted such appointment by written instrument executed by such Successor Institutional Trustee and delivered to the Regular Trustees and the Sponsor; and

(ii) the Delaware Trustee shall not be removed in accordance with this Section 5.7(a) until a successor Trustee possessing the qualifications to act as Delaware Trustee under Sections 5.2 and 5.4 (a "Successor Delaware Trustee") has been appointed and has accepted such appointment by written instrument executed by such Successor Delaware Trustee and delivered to the Regular Trustees and the Sponsor.

(c) A Trustee appointed to office shall hold office until his successor shall have been appointed or until his death, removal or resignation. Any Trustee may resign from office (without need for prior or subsequent accounting) by an instrument in writing signed by the Trustee and delivered to the Sponsor and the Trust, which resignation shall take effect upon such delivery or upon such later date as is specified therein; provided, however, that:

(i) no such resignation of the Institutional Trustee shall be effective:

(A) until a Successor Institutional Trustee has been appointed and has accepted such appointment by instrument executed by such Successor Institutional Trustee and delivered to the Trust, the Sponsor and the resigning Institutional Trustee; or

(B) until the assets of the Trust have been completely liquidated and the proceeds thereof distributed to the holders of the Trust Securities; and

(ii) no such resignation of the Delaware Trustee shall be effective until a Successor Delaware Trustee has been appointed and has accepted such appointment by instrument executed by such Successor Delaware Trustee and delivered to the Trust, the Sponsor and the resigning Delaware Trustee.

(d) The Holders of the Common Securities shall use all reasonable efforts to promptly appoint a Successor Delaware Trustee or Successor Institutional Trustee as the case may be if the Institutional Trustee or the Delaware Trustee delivers an instrument of resignation in accordance with this Section 5.7.

(e) If no Successor Institutional Trustee or Successor Delaware Trustee shall have been appointed and accepted appointment as provided in this Section 5.7 within 60 days after delivery of an instrument of resignation or removal, the Institutional Trustee or Delaware Trustee resigning or being removed, as applicable, may petition any court of

competent jurisdiction for appointment of a Successor Institutional Trustee or Successor Delaware Trustee. Such court may thereupon, after prescribing such notice, if any, as it may deem proper and prescribe, appoint a Successor Institutional Trustee or Successor Delaware Trustee, as the case may be.

(f) No Institutional Trustee or Delaware Trustee shall be liable for the acts or omissions to act of any Successor Institutional Trustee or Successor Delaware Trustee, as the case may be.

SECTION 5.8 Vacancies among Trustees.  
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If a Trustee ceases to hold office for any reason and the number of Trustees is not reduced pursuant to Section 5.1, or if the number of Trustees is increased pursuant to Section 5.1, a vacancy shall occur. A resolution certifying the existence of such vacancy by the Regular Trustees or, if there are more than two, a majority of the Regular Trustees shall be conclusive evidence of the existence of such vacancy. The vacancy shall be filled with a Trustee appointed in accordance with Section 5.7.

SECTION 5.9 Effect of Vacancies.  
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The death, resignation, retirement, removal, bankruptcy, dissolution, liquidation, incompetence or incapacity to perform the duties of a Trustee shall not operate to annul the Trust. Whenever a vacancy in the number of Regular Trustees shall occur, until such vacancy is filled by the appointment of Regular Trustee in accordance with Section 5.7, the Regular Trustees in office, regardless of their number, shall have all the powers granted to the Regular Trustees and shall discharge all the duties imposed upon the Regular Trustees by this Declaration.

SECTION 5.10 Meetings.  
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If there is more than one Regular Trustee, meetings of the Regular Trustees shall be held from time to time upon the call of any Regular Trustee. Regular meetings of the Regular Trustees may be held at a time and place fixed by resolution of the Regular Trustees. Notice of any in-person meetings of the Regular Trustees shall be hand delivered or otherwise delivered in writing (including by facsimile, with a hard copy by overnight courier) not less than 48 hours before such meeting. Notice of any telephonic meetings of the Regular Trustees or any committee thereof shall be hand delivered or otherwise delivered in writing (including by facsimile, with a hard copy by overnight courier) not less than 24 hours before a meeting. Notices shall contain a brief statement of the time, place and anticipated purposes of the meeting. The presence (whether in person or by telephone) of a Regular Trustee at a meeting shall constitute a waiver of notice of such meeting except where a Regular Trustee attends a meeting for the express purpose of objecting to the transaction of any activity on the ground that the meeting has not been lawfully called or convened. Unless provided otherwise in this Declaration, any action of the Regular Trustees may be taken at a meeting by vote of a majority of the Regular Trustees present (whether in person or by telephone) and eligible to vote with respect to such matter, provided that a Quorum is present, or without a meeting by the unanimous written consent of the Regular Trustees. In the event there is only one Regular Trustee, any and all action of such Regular Trustee shall be evidenced by a written consent of such Regular Trustee.

SECTION 5.11 Delegation of Power.  
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(a) Any Regular Trustee may, by power of attorney consistent with applicable law, delegate to any other natural person over the age of 21 his or her power for the purpose of executing any documents contemplated in Section 3.6, including any registration statement or amendment thereto filed with the Commission, or making any other governmental filing; and

(b) the Regular Trustees shall have power to delegate from time to time to such of their number or to officers of the Trust the doing of such things and the execution of such instruments either in the name of the Trust or the names of the Regular Trustees or otherwise as the Regular Trustees may deem expedient, to the extent such delegation is not prohibited by applicable law or contrary to the provisions of the Trust, as set forth herein.

Section 5.12 Merger, Conversion, Consolidation or Succession to  
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Business.

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

ARTICLE VI  
DISTRIBUTIONS

SECTION 6.1 Distributions.  
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Holders shall receive Distributions (as defined herein) in accordance with the applicable terms of the Trust Securities. Distributions shall be made on the Securities and the Common Securities in accordance with the preferences set forth in their respective terms. If and to the extent that the Debenture Issuer makes a payment of interest (including Compounded Interest (as defined in the Indenture) and Additional Interest (as defined in the Indenture)), premium and/or principal on the Debentures held by the Institutional Trustee (the amount of any such payment being a "Payment Amount"), the Institutional Trustee shall and is directed, to the extent funds are available for that purpose, to make a distribution (a "Distribution") of the Payment Amount to Holders.

ARTICLE VII  
ISSUANCE OF SECURITIES

SECTION 7.1 General Provisions Regarding Trust Securities.  
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(a) The Regular Trustees shall on behalf of the Trust issue one class of securities representing undivided beneficial interests in the assets of the Trust having such terms as are set forth in Annex I (the "Securities") and one class of common securities representing undivided beneficial interests in the assets of the Trust having such terms as are set forth in Annex I (the "Common Securities"). The Trust shall issue no securities or other interests in the assets of the Trust other than the Securities and the Common Securities.

(b) The Certificates shall be signed on behalf of the Trust by a Regular Trustee. Such signature shall be the manual or facsimile signature of any present or any future Regular Trustee. In case any Regular Trustee of the Trust who shall have signed any of the Trust Securities shall cease to be such Regular Trustee before the Certificates so signed shall be delivered by the Trust, such Certificates nevertheless may be delivered as though the person who signed such Certificates had not ceased to be such Regular Trustee; and any Certificate may be signed on behalf of the Trust by such persons who, at the actual date of execution of such Trust Security, shall be the Regular Trustees of the Trust, although at the date of the execution and delivery of the Declaration any such person was not such a Regular Trustee. Certificates shall be printed, lithographed or engraved or may be produced in any other manner as is reasonably acceptable to the Regular Trustees, as evidenced by their execution thereof, and may have such letters, numbers or other marks of identification or designation and such legends or endorsements as the Regular Trustees may deem appropriate, or as may be required to comply with any law or with any rule or regulation of any stock exchange on which Trust Securities may be listed, or to conform to usage.

(c) The consideration received by the Trust for the issuance of the Trust Securities shall constitute a contribution to the capital of the Trust and shall not constitute a loan to the Trust.

(d) Upon issuance of the Trust Securities as provided in this Declaration and the receipt of the consideration to be received therefor, the Trust Securities so issued shall be deemed to be validly issued, fully paid and non-assessable.

(e) Every Person, by virtue of having become a Holder or a Security Beneficial Owner in accordance with the terms of this Declaration,

shall be deemed to have expressly assented and agreed to the terms of, and shall be bound by, this Declaration.

SECTION 7.2      Paying Agent.  
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The Trust shall appoint a paying agent (the "Paying Agent") and may appoint one or more additional paying agents in such other locations as it shall determine. The term "Paying Agent" includes any additional paying agent. The Trust may change any Paying Agent without prior notice to any Holder. The Trust shall notify the Institutional Trustee of the name and address of any Agent not a party to this Declaration. If the Trust fails to appoint or maintain another entity as Paying Agent, the Institutional Trustee shall act as such. The Trust or any of its Affiliates may act as Paying Agent. Wilmington Trust Company shall initially act as Paying Agent for the Securities and the Common Securities.

ARTICLE VIII  
TERMINATION OF TRUST

SECTION 8.1      Termination of Trust.  
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(a) The Trust shall terminate:

(i) upon the occurrence of an Event of Default described in clause (d) or (e) of Section 701 of the Indenture;

(ii) upon the filing of a certificate of dissolution or its equivalent with respect to the Sponsor; the filing of a certificate of cancellation with respect to the Trust after having obtained the consent of a majority in liquidation amount of the Trust Securities voting together as a single class to file such certificate of cancellation; or the revocation of the Sponsor's charter and the expiration of 90 days after the date of revocation without a reinstatement thereof;

(iii) upon the entry of a decree of judicial dissolution of the Holder of the Common Securities, the Sponsor or the Trust;

(iv) when all of the Trust Securities shall have been called for redemption and the amounts necessary for redemption thereof shall have been paid to the Holders in accordance with the terms of the Trust Securities;

(v) upon the occurrence and continuation of a Tax Event in connection with which the Trust shall have been dissolved in accordance with the terms of the Trust Securities and all of the Debentures endorsed thereon shall have been distributed to the Holders of Securities in exchange for all of the Trust Securities; or

(vi) before the issuance of any Trust Securities, with the consent of all of the Regular Trustees and the Sponsor.

(b) As soon as is practicable after the occurrence of an event referred to in Section 8.1(a), the Trustees shall file a certificate of cancellation with the Secretary of State of the State of Delaware.

(c) The provisions of Section 3.9 and Article X shall survive the termination of the Trust except as contemplated in Section 1005 of the Indenture.

ARTICLE IX  
TRANSFER OF INTERESTS

SECTION 9.1      Transfer of Trust Securities.  
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(a) Trust Securities may only be transferred, in whole or in part, in accordance with the terms and conditions set forth in this Declaration and in the terms of the Trust Securities. Any transfer or purported transfer of any Trust Security not made in accordance with this Declaration shall be null and void.

(b) Subject to this Article IX, Securities shall be freely transferable.

(c) The Securities are to be initially registered in the name

of Cede & Co., as nominee for The Depository Trust Company (the "Depository") and the Security Certificates so initially registered shall bear such legends as required by the Depository. Such Securities shall not be transferable or exchangeable, nor shall any purported transfer be registered, except as follows:

(i) such Securities may be transferred in whole, and appropriate registration of transfer effected, if such transfer is by such nominee to the Depository, or by the Depository to another nominee thereof, or by any nominee of the Depository to any other nominee thereof, or by the Depository or any nominee thereof to any successor securities depository or any nominee thereof; and

(ii) such Securities shall be exchanged for Securities Certificates registered in the respective names of the beneficial holders thereof, and thereafter shall be transferable without restriction, if:

(A) the Depository, or any successor securities depository, shall have notified the Company and the Institutional Trustee that it is unwilling or unable to continue to act as securities depository with respect to such Securities and the Institutional Trustee shall not have been notified by the Company within ninety (90) days of the identity of a successor securities depository with respect to such Securities;

(B) the Company shall have delivered to the Institutional Trustee an Officer's Certificate to the effect that such Securities shall be so exchangeable on and after a date specified therein; or

(C) (1) an Event of Default shall have occurred and be continuing, (2) the Institutional Trustee shall have given notice of such Event of Default pursuant to Section 2.7 of this Declaration and (3) there shall have been delivered to the Company and the Institutional Trustee an opinion of counsel to the effect that the interests of the beneficial owners of such Securities in respect thereof will be materially impaired unless such owners become Holders of Securities Certificates.

(d) The Sponsor shall maintain 100% direct ownership of the Common Securities by the Sponsor or any Affiliate thereof, except as otherwise provided in Section 1005 of the Indenture.

#### SECTION 9.2      Transfer of Certificates.

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The Regular Trustees shall provide for the registration of Certificates and of transfers of Certificates, which will be effected without charge but only upon payment (with such indemnity as the Regular Trustees may reasonably require) in respect of any documentary stamp tax or other similar governmental charges that may be imposed in relation to it. Upon surrender for registration of transfer of any Certificate, the Regular Trustees shall cause one or more new Certificates to be issued in the name of the designated transferee or transferees. Every Certificate surrendered for registration of transfer shall be accompanied by a written instrument of transfer in form satisfactory to the Regular Trustees duly executed by the Holder or such Holder's attorney duly authorized in writing. Each Certificate surrendered for registration of transfer shall be canceled by the Regular Trustees. A transferee of a Certificate shall be entitled to the rights and be subject to the obligations of a Holder hereunder upon the receipt by such transferee of a Certificate. By acceptance of a Certificate, each transferee shall be deemed to have agreed to be bound by this Declaration.

#### SECTION 9.3      Deemed Trust Security Holders.

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The Trustees may treat the Person in whose name any Certificate shall be registered on the books and records of the Trust as the sole holder of such Certificate and of the Trust Securities represented by such Certificate for purposes of receiving Distributions and for all other purposes whatsoever and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such Certificate or in the Trust Securities represented by such Certificate on the part of any Person, whether or not the Trust shall have actual or other notice thereof.

#### SECTION 9.4      Security Certificates.

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(a) Security Certificates shall be prepared by the Regular Trustees on behalf of the Trust with respect to such Securities; and

(b) Security Certificates shall be printed, lithographed or engraved or may be produced in any other manner as is reasonably acceptable to the Regular Trustees, as evidenced by their execution thereof, and may have such letters, numbers or other marks of identification or designation and such legends or endorsements as the Regular Trustees may deem appropriate, or as may be required to comply with any law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which Securities may be listed, or to conform to usage.

SECTION 9.5 Mutilated, Destroyed, Lost or Stolen Certificates.  
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If:

(a) any mutilated Certificates should be surrendered to the Regular Trustees, or if the Regular Trustees shall receive evidence to their satisfaction of the destruction, loss or theft of any Certificate; and

(b) there shall be delivered to the Regular Trustees such security or indemnity as may be required by them to keep each of them harmless,

then, in the absence of notice that such Certificate shall have been acquired by a person purporting to be a bona fide purchaser, any Regular Trustee on behalf of the Trust shall execute and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Certificate, a new Certificate of like denomination. In connection with the issuance of any new Certificate under this Section 9.5, the Regular Trustees may require the payment of a sum sufficient to cover any documentary stamp tax or other similar governmental charge that may be imposed in connection therewith. Any duplicate Certificate issued pursuant to this Section shall constitute conclusive evidence of an ownership interest in the relevant Securities, as if originally issued, whether or not the lost, stolen or destroyed Certificate shall be found at any time.

ARTICLE X  
LIMITATION OF LIABILITY OF  
HOLDERS OF TRUST SECURITIES, TRUSTEES OR OTHERS

SECTION 10.1 Liability.  
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(a) Except as expressly set forth in this Declaration, the Guarantees and the terms of the Securities, the Sponsor shall not be:

(i) personally liable for the return of any portion of the capital contributions (or any return thereon) of the Holders of the Trust Securities which shall be made solely from assets of the Trust; or

(ii) required to pay to the Trust or to any Holder of Trust Securities any deficit upon dissolution of the Trust or otherwise.

(b) The Sponsor shall be liable for all of the debts and obligations of the Trust (other than with respect to the Securities) to the extent not satisfied out of the Trust's assets.

(c) Pursuant to Section 3803(a) of the Business Trust Act, the Holders of the Securities shall be entitled to the same limitation of personal liability extended to stockholders of private corporations for profit organized under the General Corporation Law of the State of Delaware.

SECTION 10.2 Exculpation.  
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(a) No Indemnified Person shall be liable, responsible or accountable in damages or otherwise to the Trust or any Covered Person for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Indemnified Person in good faith on behalf of the Trust and in a manner such Indemnified Person reasonably believed to be within the scope of the authority conferred on such Indemnified Person by this Declaration or by law, except that an Indemnified Person shall be



liable for any such loss, damage or claim incurred by reason of such Indemnified Person's gross negligence or willful misconduct with respect to such acts or omissions.

(b) An Indemnified Person shall be fully protected in relying in good faith upon the records of the Trust and upon such information, opinions, reports or statements presented to the Trust by any Person as to matters the Indemnified Person reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Trust, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, profits, losses, or any other facts pertinent to the existence and amount of assets from which Distributions to Holders of Trust Securities might properly be paid.

SECTION 10.3     Fiduciary Duty.  
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(a) To the extent that, at law or in equity, an Indemnified Person has duties (including fiduciary duties) and liabilities relating thereto to the Trust or to any other Covered Person, an Indemnified Person acting under this Declaration shall not be liable to the Trust or to any other Covered Person for its good faith reliance on the provisions of this Declaration. The provisions of this Declaration, to the extent that they restrict the duties and liabilities of an Indemnified Person otherwise existing at law or in equity (other than the duties imposed on the Institutional Trustee under the Trust Indenture Act), are agreed by the parties hereto to replace such other duties and liabilities of such Indemnified Person.

(b) Unless otherwise expressly provided herein:

(i) whenever a conflict of interest exists or arises between any Covered Persons; or

(ii) whenever this Declaration or any other agreement contemplated herein or therein provides that an Indemnified Person shall act in a manner that is, or provides terms that are, fair and reasonable to the Trust or any Holder of Trust Securities,

the Indemnified Person shall resolve such conflict of interest, take such action or provide such terms, considering in each case the relative interest of each party (including its own interest) to such conflict, agreement, transaction or situation and the benefits and burdens relating to such interests, any customary or accepted industry practices, and any applicable generally accepted accounting practices or principles. In the absence of bad faith by the Indemnified Person, the resolution, action or term so made, taken or provided by the Indemnified Person shall not constitute a breach of this Declaration or any other agreement contemplated herein or of any duty or obligation of the Indemnified Person at law or in equity or otherwise.

(c) Whenever in this Declaration an Indemnified Person is permitted or required to make a decision:

(i) in its "discretion" or under a grant of similar authority, the Indemnified Person shall be entitled to consider such interests and factors as it desires, including its own interests, and shall have no duty or obligation to give any consideration to any interest of or factors affecting the Trust or any other Person; or

(ii) in its "good faith" or under another express standard, the Indemnified Person shall act under such express standard and shall not be subject to any other or different standard imposed by this Declaration or by applicable law.

SECTION 10.4     Indemnification.  
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(a) (i) The Sponsor shall indemnify, to the full extent permitted by law, any Company Indemnified Person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Trust) by reason of the fact that he is or was a Company Indemnified Person against expenses (including attorneys' fees and expenses), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Trust,

and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the Company Indemnified Person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Trust, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

(ii) The Sponsor shall indemnify, to the full extent permitted by law, any Company Indemnified Person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Trust to procure a judgment in its favor by reason of the fact that he is or was a Company Indemnified Person against expenses (including attorneys' fees and expenses) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Trust and except that no such indemnification shall be made in respect of any claim, issue or matter as to which such Company Indemnified Person shall have been adjudged to be liable to the Trust unless and only to the extent that the Court of Chancery of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such Court of Chancery or such other court shall deem proper.

(iii) To the extent that a Company Indemnified Person shall be successful on the merits or otherwise (including dismissal of an action without prejudice or the settlement of an action without admission of liability) in defense of any action, suit or proceeding referred to in paragraphs (i) and (ii) of this Section 10.4(a), or in defense of any claim, issue or matter therein, he shall be indemnified, to the full extent permitted by law, against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

(iv) Any indemnification under paragraphs (i) and (ii) of this Section 10.4(a) (unless ordered by a court) shall be made by the Sponsor only as authorized in the specific case upon a determination that indemnification of the Company Indemnified Person is proper in the circumstances because he has met the applicable standard of conduct set forth in paragraphs (i) and (ii). Such determination shall be made (1) by the Regular Trustees by a majority vote of a quorum consisting of such Regular Trustees who were not parties to such action, suit or proceeding, (2) if such a quorum is not obtainable, or, even if obtainable, if a quorum of disinterested Regular Trustees so directs, by independent legal counsel in a written opinion, or (3) by the Holders of the Common Securities.

(v) Expenses (including attorneys' fees and expenses) incurred by a Company Indemnified Person in defending civil, criminal, administrative or investigative action, suit or proceeding referred to in paragraphs (i) and (ii) of this Section 10.4(a) shall be paid by the Sponsor in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf such Company Indemnified Person to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Sponsor as authorized in this Section 10.4(a). Notwithstanding the foregoing, no advance shall be made by the Debenture Issuer if a determination is reasonably and promptly made (i) by the Regular Trustees by a majority vote of a quorum of disinterested Regular Trustees, (ii) if such a quorum is not obtainable, or, even if obtainable, if a quorum of disinterested Regular Trustees so directs, by independent legal counsel in a written opinion or (iii) the Common Security Holder of the Trust, that, based upon the facts known to the Regular Trustees, counsel or the Common Security Holder at the time such determination is made, such Company Indemnified Person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the Trust, or, with respect to any criminal proceeding, that such Company Indemnified Person believed or had reasonable cause to believe his conduct was unlawful. In no event shall any advance be made in instances where the Regular Trustees, independent legal counsel or Holders of the Common Securities reasonably determine that such person deliberately breached his duty to the Trust or the Holders of the Securities.

(vi) The indemnification and advancement of expenses provided

by, or granted pursuant to, the other paragraphs of this Section 10.4(a) shall not be deemed exclusive of any other rights to which those seeking indemnification and advancement of expenses may be entitled under any agreement, vote of stockholders or disinterested directors of the Sponsor or vote of Holders of Securities or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office. All rights to indemnification under this Section 10.4(a) shall be deemed to be provided by a contract between the Sponsor and each Company Indemnified Person who serves in such capacity at any time while this Section 10.4(a) is in effect. Any repeal or modification of this Section 10.4(a) shall not affect any rights or obligations then existing.

(vii) The Sponsor or the Trust may purchase and maintain insurance on behalf of any person who is or was a Company Indemnified Person against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Sponsor would have the power to indemnify him against such liability under the provisions of this Section 10.4(a).

(viii) For purposes of this Section 10.4(a), references to "the Trust" shall include, in addition to the resulting or surviving entity, any constituent entity (including any constituent of a constituent) absorbed in a merger, consolidation, amalgamation or other business combination so that any person who is or was a director, trustee, officer or employee of such constituent entity, or is or was serving at the request of such constituent entity as a director, trustee, officer, employee or agent of another entity, shall stand in the same position under the provisions of this Section 10.4(a) with respect to the resulting or surviving entity as he would have with respect to such constituent entity if its separate existence had continued.

(ix) The indemnification and advancement of expenses provided by, or granted pursuant to, this Section 10.4(a) shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a Company Indemnified Person and shall inure to the benefit of the heirs, executors and administrators of such a person.

(b) The Sponsor agrees to indemnify the (i) Institutional Trustee, (ii) the Delaware Trustee, (iii) any Affiliate of the Institutional Trustee and the Delaware Trustee, and (iv) any officers, directors, shareholders, members, partners, employees, representatives, custodians, nominees or agents of the Institutional Trustee and the Delaware Trustee (each of the Persons in (i) through (iv) being referred to as a "Fiduciary Indemnified Person") for, and to hold each Fiduciary Indemnified Person harmless against, any and all loss, liability, damage, claim or expense including taxes (other than taxes based on the income of such Fiduciary Indemnified Person) incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration or the trust or trusts hereunder, including the costs and expenses (including reasonable legal fees and expenses) of defending itself against or investigating any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. The obligation to indemnify as set forth in this Section 10.4(b) shall survive the satisfaction and discharge of this Declaration.

#### SECTION 10.5      Outside Businesses.

Any Covered Person, the Sponsor, the Delaware Trustee and the Institutional Trustee may engage in or possess an interest in other business ventures of any nature or description, independently or with others, similar or dissimilar to the business of the Trust, and the Trust and the Holders of Securities shall have no rights by virtue of this Declaration in and to such independent ventures or the income or profits derived therefrom, and the pursuit of any such venture, even if competitive with the business of the Trust, shall not be deemed wrongful or improper. No Covered Person, the Sponsor, the Delaware Trustee, or the Institutional Trustee shall be obligated to present any particular investment or other opportunity to the Trust even if such opportunity is of a character that, if presented to the Trust, could be taken by the Trust, and any Covered Person, the Sponsor, the Delaware Trustee and the Institutional Trustee shall have the right to take for its own account (individually or as a partner or fiduciary) or to recommend to others any such particular investment or other opportunity. Any Covered Person, the Delaware Trustee and the Institutional Trustee may engage or be interested in any financial or other transaction with the Sponsor or any Affiliate of the Sponsor, or may act as depositary for, trustee or agent for, or act on any committee or

body of holders of, securities or other obligations of the Sponsor or its Affiliates.

ARTICLE XI  
ACCOUNTING

SECTION 11.1 Fiscal Year.  
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The fiscal year ("Fiscal Year") of the Trust shall be the calendar year, or such other year as is required by the Code.

SECTION 11.2 Certain Accounting Matters.  
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(a) At all times during the existence of the Trust, the Regular Trustees shall keep, or cause to be kept, full books of account, records and supporting documents, which shall reflect in reasonable detail, each transaction of the Trust. The books of account shall be maintained on the accrual method of accounting, in accordance with generally accepted accounting principles, consistently applied. The Trust shall use the accrual method of accounting for United States federal income tax purposes. The books of account and the records of the Trust shall be examined by and reported upon as of the end of each Fiscal Year of the Trust by a firm of independent certified public accountants selected by the Regular Trustees.

(b) The Regular Trustees shall cause to be prepared and delivered to each of the Holders of Trust Securities, within 90 days after the end of each Fiscal Year of the Trust, annual financial statements of the Trust, including a balance sheet of the Trust as of the end of such Fiscal Year, and the related statements of income or loss;

(c) The Regular Trustees shall cause to be duly prepared and delivered to each of the Holders of Trust Securities, any annual United States federal income tax information statement, required by the Code, containing such information with regard to the Trust Securities held by each Holder as is required by the Code and the Treasury Regulations. Notwithstanding any right under the Code to deliver any such statement at a later date, the Regular Trustees shall endeavor to deliver all such statements within 30 days after the end of each calendar year.

(d) The Regular Trustees shall cause to be duly prepared and filed with the appropriate taxing authority, an annual United States federal income tax return, on a Form 1041 or such other form required by United States federal income tax law, and any other annual income tax returns required to be filed by the Regular Trustees on behalf of the Trust with any state or local taxing authority.

SECTION 11.3 Banking.  
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The Trust shall maintain one or more bank accounts in the name and for the sole benefit of the Trust; provided, however, that all payments of funds in respect of the Debentures held by the Institutional Trustee shall be made directly to the Institutional Trustee Account and no other funds of the Trust shall be deposited in the Institutional Trustee Account. The sole signatories for such accounts shall be designated by the Regular Trustees; provided, however, that the Institutional Trustee shall designate the signatories for the Institutional Trustee Account.

SECTION 11.4 Withholding.  
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The Trust and the Regular Trustees shall comply with all withholding requirements under United States federal, state and local law. The Trust shall request, and the Holders shall provide to the Trust, such forms or certificates as are necessary to establish an exemption from withholding with respect to each Holder, and any representations and forms as shall reasonably be requested by the Trust to assist it in determining the extent of, and in fulfilling, its withholding obligations. The Regular Trustees shall file required forms with applicable jurisdictions and, unless an exemption from withholding is properly established by a Holder, shall remit amounts withheld with respect to the Holder to applicable jurisdictions. To the extent that the Trust is required to withhold and pay over any amounts to any authority with respect to distributions or allocations to any Holder, the amount withheld shall be deemed to be a distribution in the amount of the withholding to the Holder. In the event of any claimed over withholding, Holders shall be limited to an action against the applicable jurisdiction. If the amount required to be withheld was not withheld from actual Distributions made, the Trust may reduce

subsequent Distributions by the amount of such withholding.

ARTICLE XII  
AMENDMENTS AND MEETINGS

SECTION 12.1 Amendments.  
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(a) Except as otherwise provided in this Declaration or by any applicable terms of the Trust Securities, this Declaration may only be amended by a written instrument approved and executed by:

(i) the Regular Trustees (or, if there are more than two Regular Trustees a majority of the Regular Trustees);

(ii) if the amendment affects the rights, powers, duties, obligations or immunities of the Institutional Trustee, the Institutional Trustee; and

(iii) if the amendment affects the rights, powers, duties, obligations or immunities of the Delaware Trustee, the Delaware Trustee;

(b) no amendment shall be made, and any such purported amendment shall be void and ineffective:

(i) unless, in the case of any proposed amendment, the Institutional Trustee shall have first received an Officer's Certificate from each of the Trust and the Sponsor that such amendment is permitted by, and conforms to, the terms of this Declaration (including the terms of the Securities);

(ii) unless, in the case of any proposed amendment which affects the rights, powers, duties, obligations or immunities of the Institutional Trustee, the Institutional Trustee shall have first received:

(A) an Officer's Certificate from each of the Trust and the Sponsor that such amendment is permitted by, and conforms to, the terms of this Declaration (including the terms of the Trust Securities); and

(B) an opinion of counsel (who may be counsel to the Sponsor or the Trust) that such amendment is permitted by, and conforms to, the terms of this Declaration (including the terms of the Trust Securities); and

(iii) to the extent the result of such amendment would be to:

(A) cause the trust to be classified for purposes of United States federal income taxation as an association taxable as a corporation;

(B) reduce or otherwise adversely affect the powers of the Institutional Trustee in contravention of the Trust Indenture Act; or

(C) cause the Trust to be deemed to be an Investment Company required to be registered under the Investment Company Act;

(c) at such time after the Trust has issued any Trust Securities that remain outstanding, any amendment that would adversely affect the rights, privileges or preferences of any Holder of Trust Securities may be effected only with such additional requirements as may be set forth in the terms of such Trust Securities;

(d) Section 9.1(c) and this Section 12.1 shall not be amended without the consent of all of the Holders of the Trust Securities;

(e) Article IV shall not be amended without the consent of the Holders of a Majority in liquidation amount of the Common Securities and;

(f) the rights of the holders of the Common Securities under Article V to increase or decrease the number of, and appoint and remove Trustees shall not be amended without the consent of the Holders of a Majority in liquidation amount of the Common Securities; and

(g) notwithstanding Section 12.1(c), this Declaration may be amended without the consent of the Holders of the Trust Securities to:

- (i) cure any ambiguity;
- (ii) correct or supplement any provision in this Declaration that may be defective or inconsistent with any other provision of this Declaration;
- (iii) add to the covenants, restrictions or obligations of the Sponsor;
- (iv) conform to any change in Rule 3a-5 or written change in interpretation or application of Rule 3a-5 by any legislative body, court, government agency or regulatory authority which amendment does not have a material adverse effect on the right, preferences or privileges of the Holders; and
- (v) modify, eliminate and/or add any provision of, from or to this Declaration in any other respect so long as such modification, elimination or addition shall not adversely affect the interests of the Holders of Securities in any material respect.

SECTION 12.2 Meetings of the Holders of Trust Securities;  
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 Action by Written Consent.  
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(a) Meetings of the Holders of any class of Trust Securities may be called at any time by the Regular Trustees (or as provided in the terms of the Trust Securities) to consider and act on any matter on which Holders of such class of Trust Securities are entitled to act under the terms of this Declaration, the terms of the Trust Securities or the rules of any stock exchange on which the Securities are listed or admitted for trading. The Regular Trustees shall call a meeting of the Holders of such class if directed to do so by the Holders of at least 33% in liquidation amount of such class of Trust Securities. Such direction shall be given by delivering to the Regular Trustees one or more calls in a writing stating that the signing Holders of Trust Securities wish to call a meeting and indicating the general or specific purpose for which the meeting is to be called. Any Holders of Trust Securities calling a meeting shall specify in writing the Trust Security Certificates held by the Holders of Trust Securities exercising the right to call a meeting and only those Trust Securities specified shall be counted for purposes of determining whether the required percentage set forth in the second sentence of this paragraph has been met.

(b) Except to the extent otherwise provided in the terms of the Trust Securities, the following provisions shall apply to meetings of Holders of Trust Securities:

(i) notice of any such meeting shall be given to all the Holders of Trust Securities having a right to vote thereat at least 21 days and not more than 18 days before the date of such meeting. Whenever a vote, consent or approval of the Holders of Trust Securities is permitted or required under this Declaration or the rules of any stock exchange on which the Securities are listed or admitted for trading, such vote, consent or approval may be given at a meeting of the Holders of Trust Securities. Any action that may be taken at a meeting of the Holders of Trust Securities may be taken without a meeting if a consent in writing setting forth the action so taken is signed by the Holders of Trust Securities owning not less than the minimum amount in liquidation amount that would be necessary to authorize or take such action at a meeting at which all Holders of Trust Securities having a right to vote thereon were present and voting. Prompt notice of the taking of action without a meeting shall be given to the Holders of Trust Securities entitled to vote who have not consented in writing. The Regular Trustees may specify that any written ballot submitted to the Trust Security Holder for the purpose of taking any action without a meeting shall be returned to the Trust within the time specified by the Regular Trustees;

(ii) each Holder of a Trust Security may authorize any Person to act for it by proxy on all matters in which a Holder of Trust Securities is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting. No proxy shall be valid after the expiration of 11 months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the Holder of Trust Securities executing it. Except as otherwise provided herein, all matters relating to the giving, voting or validity of proxies shall be governed by the General

Corporation Law of the State of Delaware relating to proxies, and judicial interpretations thereunder, as if the Trust were a Delaware corporation and the Holders of the Trust Securities were stockholders of a Delaware corporation;

(iii) each meeting of the Holders of the Trust Securities shall be conducted by the Regular Trustees or by such other Person that the Regular Trustees may designate; and

(iv) unless the Business Trust Act, this Declaration, the terms of the Trust Securities, the Trust Indenture Act or the listing rules of any stock exchange on which the Securities are then listed or trading, otherwise provides, the Regular Trustees, in their sole discretion, shall establish all other provisions relating to meetings of Holders of Trust Securities, including notice of the time, place or purpose of any meeting at which any matter is to be voted on by any Holders of Trust Securities, waiver of any such notice, action by consent without a meeting, the establishment of a record date, quorum requirements, voting in person or by proxy or any other matter with respect to the exercise of any such right to vote.

ARTICLE XIII  
REPRESENTATIONS OF INSTITUTIONAL TRUSTEE  
AND DELAWARE TRUSTEE

SECTION 13.1      Representations and Warranties of Institutional Trustee.  
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The Trustee that acts as initial Institutional Trustee represents and warrants to the Trust and to the Sponsor at the date of this Declaration, and each Successor Institutional Trustee represents and warrants to the Trust and the Sponsor at the time of the Successor Institutional Trustee's acceptance of its appointment as Institutional Trustee, that:

(a) the Institutional Trustee is a Delaware banking corporation with trust powers and authority to execute and deliver, and to carry out and perform its obligations under the terms of, this Declaration;

(b) the execution, delivery and performance by the Institutional Trustee of the Declaration has been duly authorized by all necessary corporate action on the part of the Institutional Trustee. The Declaration has been duly executed and delivered by the Institutional Trustee, and it constitutes a legal, valid and binding obligation of the Institutional Trustee, enforceable against it in accordance with its terms, subject to applicable bankruptcy, reorganization, moratorium, insolvency, and other similar laws affecting creditors' rights generally and to general principles of equity and the discretion of the court (regardless of whether the enforcement of such remedies is considered in a proceeding in equity or at law);

(c) the execution, delivery and performance of this Declaration by the Institutional Trustee does not conflict with or constitute a breach of the charter or by-laws of the Institutional Trustee; and

(d) no consent, approval or authorization of, or registration with or notice to, any Delaware or other state or any federal banking authority is required for the execution, delivery or performance by the Institutional Trustee of this Declaration.

SECTION 13.2      Representations and Warranties of Delaware Trustee.  
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The Trustee that acts as initial Delaware Trustee represents and warrants to the Trust and to the Sponsor at the date of this Declaration, and each Successor Delaware Trustee represents and warrants to the Trust and the Sponsor at the time of the Successor Delaware Trustee's acceptance of its appointment as Delaware Trustee, that:

(a) The Delaware Trustee is duly organized, validly existing and in good standing under the laws of the State of Delaware, with trust power and authority to execute and deliver, and to carry out and perform its obligations under the terms of, this Declaration.

(b) The Delaware Trustee has been authorized to perform its obligations under the Certificate of Trust and the Declaration. The Declaration under Delaware law constitutes a legal, valid and binding obligation of the Delaware Trustee, enforceable against it in accordance with its terms, subject to applicable bankruptcy,

reorganization, moratorium, insolvency, and other similar laws affecting creditors' rights generally and to general principles of equity and the discretion of the court (regardless of whether the enforcement of such remedies is considered in a proceeding in equity or at law).

(c) No consent, approval or authorization of, or registration with or notice to, any Delaware or other state or any federal banking authority is required for the execution, delivery or performance by the Delaware Trustee of this Declaration.

(d) The Delaware Trustee is a natural person who is a resident of the State of Delaware or, if not a natural person, an entity which has its principal place of business in the State of Delaware.

ARTICLE XIV  
MISCELLANEOUS

SECTION 14.1 Notices.  
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All notices provided for in this Declaration shall be in writing, duly signed by the party giving such notice, and shall be delivered, telecopied or mailed by first class mail, as follows:

(a) if given to the Trust, in care of the Regular Trustees at the Trust's mailing address set forth below (or such other address as the Trust may give notice of to the Holders of the Trust Securities):

Washington Water Power Capital II  
c/o The Washington Water Power Company  
1411 East Mission Avenue  
Spokane, Washington 99202  
Attention: Treasurer  
Telecopy: (509) 489-4879

(b) if given to the Delaware Trustee, at the mailing address set forth below (or such other address as Delaware Trustee may give notice of to the Holders of the Trust Securities):

Wilmington Trust Company  
Rodney Square North  
1100 North Market Street  
Wilmington, Delaware 19890  
Attention: Corporate Trust Administration  
Telecopy: (302) 651-1576

(c) if given to the Institutional Trustee, at the Institutional Trustee's mailing address set forth below (or such other address as the Institutional Trustee may give notice of to the Holders of the Trust Securities):

Wilmington Trust Company  
Rodney Square North  
1100 North Market Street  
Wilmington, Delaware 19890  
Attention: Corporate Trust Administration  
Telecopy: (302) 651-1576

(d) if given to the Holder of the Common Securities, at the mailing address of the Sponsor set forth below (or such other address as the Holder of the Common Securities may give notice to the Trust):

The Washington Water Power Company  
1411 East Mission Avenue  
Spokane, Washington 99202  
Attention: Treasurer  
Telecopy: (509) 482-4879

(e) if given to any other Holder, at the address set forth on the books and records of the Trust.

All such notices shall be deemed to have been given when received in person with receipt confirmed, or mailed by first class mail, postage prepaid except that if a notice or other document is refused delivery or cannot be delivered because of a changed address of which no notice was given, such notice or other document shall be deemed to have been delivered on the date of such refusal or inability to deliver.

SECTION 14.2 Governing Law.  
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This Declaration and the rights of the parties hereunder shall be governed by and interpreted in accordance with the laws of the State of Delaware, and all rights and remedies shall be governed by such laws without regard to principles of conflict of laws.

SECTION 14.3 Intention of the Parties.  
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It is the intention of the parties hereto that the Trust be classified for United States federal income tax purposes as a grantor trust. The provisions of this Declaration shall be interpreted to further this intention of the parties.

SECTION 14.4 Headings.  
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Headings contained in this Declaration are inserted for convenience of reference only and do not affect the interpretation of this Declaration or any provision hereof.

SECTION 14.5 Successors and Assigns.  
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Whenever in this Declaration any of the parties hereto is named or referred to, the successors and assigns of such party shall be deemed to be included, and all covenants and agreements in this Declaration by the Sponsor and the Trustees shall bind and inure to the benefit of their respective successors and assigns, whether so expressed.

SECTION 14.6 Partial Enforceability.  
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If any provision of this Declaration, or the application of such provision to any Person or circumstance, shall be held invalid, the remainder of this Declaration, or the application of such provision to persons or circumstances other than those to which it is held invalid, shall not be affected thereby.

SECTION 14.7 Counterparts.  
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This Declaration may contain more than one counterpart of the signature page and this Declaration may be executed by the affixing of the signature of each of the Trustees to one of such counterpart signature pages. All of such counterpart signature pages shall be read as though one, and they shall have the same force and effect as though all of the signers had signed a single signature page.

IN WITNESS WHEREOF, the undersigned has caused these presents to be executed as of the day and year first above written.

-----  
LAWRENCE J. PIERCE,  
as Regular Trustee

-----  
DOROTHY K. MERCER,  
as Regular Trustee

WILMINGTON TRUST COMPANY,  
as Delaware Trustee

By: \_\_\_\_\_  
Name:  
Title:

WILMINGTON TRUST COMPANY,  
as Institutional Trustee

By:

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Name:

Title:

THE WASHINGTON WATER POWER COMPANY,  
as Sponsor

By:

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Name:

Title:



ANNEX I

TERMS OF  
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% TRUST ORIGINATED COMMON SECURITIES, SERIES B  
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Pursuant to Section 7.1 of the Amended and Restated Declaration of Trust, dated as of \_\_\_\_\_, 199 (as amended from time to time, the "Declaration"), the designation, rights, privileges, restrictions, preferences and other terms and provisions of the Securities and the Common Securities are set out below (each capitalized term used but not defined herein has the meaning set forth in the Declaration or, if not defined in such Declaration, as defined in the Prospectus referred to below):

1. Designation and Number.  
-----

(a) Securities. \_\_\_\_\_ Securities of the Trust with an aggregate liquidation amount with respect to the assets of the Trust of (\$ \_\_\_\_\_) and a liquidation amount with respect to the assets of the Trust of \$ \_\_\_\_\_ per security, are hereby designated for the purposes of identification only as " \_\_\_\_\_ % Securities, Series B" (the "Securities"). The Security Certificates evidencing the Securities shall be substantially in the form of Exhibit A-1 to the Declaration, with such changes and additions thereto or deletions therefrom as may be required by ordinary usage, custom or practice or to conform to the rules of any stock exchange on which the Securities are listed.

(b) Common Securities. \_\_\_\_\_ Common Securities of the Trust with an aggregate liquidation amount with respect to the assets of the Trust of \_\_\_\_\_ dollars (\$ \_\_\_\_\_) and a liquidation amount with respect to the assets of the Trust of \$ \_\_\_\_\_ per common security, are hereby designated for the purposes of identification only as " \_\_\_\_\_ % Trust Originated Common Securities, Series B" (the "Common Securities"). The Common Security Certificates evidencing the Common Securities shall be substantially in the form of Exhibit A-2 to the Declaration, with such changes and additions thereto or deletions therefrom as may be required by ordinary usage, custom or practice.

2. Distributions.  
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(a) Distributions payable on each Security will be fixed at a rate of \_\_\_\_\_ % per annum (the "Coupon Rate") of the stated liquidation amount of \$ \_\_\_\_\_ per Security, such rate being the rate of interest payable on the Debentures to be held by the Institutional Trustee. Distributions in arrears for more than one Distribution period will bear interest thereon compounded \_\_\_\_\_ at the Coupon Rate (to the extent permitted by applicable law). The term "Distributions" as used herein includes such cash distributions and any such interest payable unless otherwise stated. A Distribution is payable only to the extent that payments are made in respect of the Debentures held by the Institutional Trustee and to the extent the Institutional Trustee has funds available therefor. The amount of Distributions payable for any period will be computed for any full Distribution period on the basis of a 360-day year of twelve 30-day months, and for any period shorter than a full Distribution period for which Distributions are computed, Distributions will be computed on the basis of the actual number of days elapsed per \_\_\_\_\_-day Distribution period.  
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(b) Distributions on the Securities will be cumulative, will accrue from \_\_\_\_\_, 199\_\_\_\_, and will be payable \_\_\_\_\_ in arrears, on \_\_\_\_\_ of each year, commencing on \_\_\_\_\_, 199\_\_\_\_, except as otherwise described below. The Debenture Issuer has the right under the Indenture to defer payments of interest by extending the interest payment period from time to time on the Debentures for a period not exceeding consecutive Distribution periods (each an "Extension Period"), during which Extension Period no interest shall be due and payable on the Debentures, provided, however, that no Extension Period shall last beyond the date of maturity of the Debentures. As a consequence of such deferral, Distributions will also be deferred. Despite such deferral, Distributions will continue to accrue with interest thereon (to the extent permitted by applicable law) at the Coupon Rate compounded \_\_\_\_\_ during any such Extension Period. Prior to the termination of any such Extension Period, the Debenture Issuer may further extend such Extension Period; provided, however, that such Extension Period, together with all such previous and further extensions thereof, may not exceed \_\_\_\_\_ consecutive Distribution periods or extend beyond the maturity of the Debentures. Payments of accrued Distributions will be payable to Holders as they appear on the books and records of the Trust on the first record date after the end of the Extension Period. Upon the termination of any Extension Period and the payment of all amounts then due, the Debenture Issuer may commence a new Extension Period, subject to the above requirements.

(c) Distributions on the Securities will be payable to the Holders thereof as they appear on the books and records of the Trust on the relevant record dates. The relevant record dates for the Securities shall conform to the rules of any securities exchange on which the securities are listed and, if none, shall be selected by the Regular Trustees, which dates shall be at least one Business Day but less than 50 Business Days before the relevant payment dates, which payment dates correspond to the interest payment dates on the Debentures. The relevant record dates for the Common Securities shall be the same record date as for the Securities. Distributions payable on any Trust Securities that are not punctually paid on any Distribution payment date, as a result of the Debenture Issuer having failed to make a payment under the Debentures, will cease to be payable to the Person in whose name such Trust Securities are registered on the relevant record date, and such defaulted Distribution will instead be payable to the Person in whose name such Trust Securities are registered on the special record date or other specified date determined in accordance with the Indenture. If any date on which Distributions are payable on the Trust Securities is not a Business Day, then payment of the Distribution payable on such date will be made on the next succeeding day that is a Business Day except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date.

(d) In the event that there is any money or other property held by or for the Trust that is not accounted for hereunder, such property shall be distributed Pro Rata (as defined herein) among the Holders of the Trust Securities.

### 3. Liquidation Distribution Upon Dissolution.

In the event of any voluntary or involuntary dissolution, winding-up or termination of the Trust, the Holders of the Trust Securities on the date of the dissolution, winding-up or termination, as the case may be, will be entitled to receive out of the assets of the Trust available for distribution to Holders of Trust Securities after satisfaction of liabilities of creditors an amount equal to the aggregate of the stated liquidation amount of \$ \_\_\_\_\_ per Trust Security plus accrued and unpaid

Distributions thereon to the date of payment (such amount being the "Liquidation Distribution"), unless, in connection with such dissolution, winding-up or termination, Debentures in an aggregate stated principal amount equal to the aggregate stated liquidation amount of such Trust Securities, with an interest rate equal to the Coupon Rate of, accrued and unpaid interest in an amount equal to the accrued and unpaid Distributions on, such Trust Securities, shall be distributed on a Pro Rata basis to the Holders of the Trust Securities in exchange for such Trust Securities.

If, upon any such dissolution, the Liquidation Distribution can

be paid only in part because the Trust has insufficient assets available to pay in full the aggregate Liquidation Distribution, then the amounts payable directly by the Trust on the Trust Securities shall be paid on a Pro Rata basis.

4. Redemption and Distribution.  
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(a) Upon the repayment of the Debentures in whole or in part, whether at maturity or upon redemption (either at the option of the Debenture Issuer or pursuant to a Tax Event as described below), the proceeds from such repayment shall be simultaneously applied to redeem Securities having an aggregate liquidation amount equal to the aggregate principal amount of the Debentures so repaid or redeemed at a redemption price of \$ per Trust Security plus an amount equal to accrued and unpaid

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Distributions thereon at the date of the redemption, payable in cash (the "Redemption Price"). Holders will be given not less than 30 nor more than 60 days' notice of such redemption.

(b) If fewer than all the outstanding Securities are to be so redeemed, the Common Securities and the Securities will be redeemed Pro Rata and the Securities to be redeemed will be as described in Section 4(f)(ii) below.

(c) If, at any time, a Tax Event (as defined below) shall occur and be continuing, at the option of the Sponsor, within 90 days following the occurrence of such Tax Event, either (i) the Regular Trustees may dissolve the Trust, and, after satisfaction of creditors, cause Debentures held by the Institutional Trustee, having an aggregate principal amount equal to the aggregate stated liquidation amount of, with an interest rate identical to the Coupon Rate of, and accrued and unpaid interest equal to accrued and unpaid Distributions on, and having the same record date for payment as the Trust Securities, to be distributed to the Holders of the Trust Securities in liquidation of such Holders' interests in the Trust on a Pro Rata basis, or (ii) the Debenture Issuer may, upon not less than 30 nor more than 60 days' notice, redeem the Debentures, in whole but not in part, for cash, and, following such redemption, Trust Securities with an aggregate liquidation amount equal to the aggregate principal amount of the Debentures so redeemed shall be redeemed by the Trust at the Redemption Price on a Pro Rata basis; and provided, however, further, that, if at the time there is available to the Trust the opportunity to eliminate, within the 90 day period, the Tax Event by taking some ministerial action, such as filing a form or making an election, or pursuing some other similar reasonable measure that has no adverse effect on the Trust, the Debenture Issuer, the Sponsor or the Holders of the Trust Securities ("Ministerial Action"), the Trust or the Debenture Issuer will pursue such Ministerial Action in lieu of such dissolution and distribution or redemption.

"Tax Event" means the receipt by the Sponsor of an opinion of counsel to the effect that, as a result of (a) any amendment to, clarification of or change (including any announced prospective change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein affecting taxation, (b) any judicial decision, official administrative pronouncement, ruling, regulatory procedure, notice or announcement, including any notice or announcement of intent to adopt such procedures or regulations (an "Administrative Action") or (c) any amendment to, clarification of, or change in the official position or the interpretation of such Administrative Action or judicial decision that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification or change is made known, which amendment, clarification, or change is effective or such pronouncement or decision is announced, in each case, on or after, the date of the original issuance of the Debentures (including the enactment of any legislation and the publication of any judicial decision or regulatory determination on or after such date), there is more than an insubstantial risk that (i) the Trust is or will be within 90 days of the date of such amendment, clarification or change, subject to United States federal income tax with respect to interest accrued or received on the Debentures, (ii) the Trust is, or will be within 90 days of the date of such amendment, clarification or change, subject to more than a de minimis amount of taxes, duties or other governmental charges, or (iii) interest payable by the Debenture Issuer to the Trust on the Debentures is not, or within 90 days of the date of such amendment, clarification or change will not be, deductible, in whole or in part, by the Debenture Issuer for United States federal income tax purposes.

On and from the date fixed by the Regular Trustees for any distribution of Debentures and dissolution of the Trust: (i) the Trust

Securities will be deemed to be no longer outstanding and (ii) any certificates representing Trust Securities will be deemed to represent beneficial interests in the Debentures having an aggregate principal amount equal to the aggregate stated liquidation amount of, with an interest rate identical to the Coupon Rate of, and accrued and unpaid interest equal to accrued and unpaid Distributions on, and having the same record date for payment as such Trust Securities until such certificates are presented to the Debenture Issuer or its agent for transfer or reissue.

(d) The Trust may not redeem fewer than all the outstanding Trust Securities unless all accrued and unpaid Distributions have been paid on all Trust Securities for all Distribution periods terminating ----- on or before the date of redemption.

(e) If the Debentures are distributed to holders of the Trust Securities, the Debenture Issuer will use all reasonable efforts to have the Debentures listed on the New York Stock Exchange or on such other exchange as the Securities were listed immediately prior to the distribution of the Debentures.

(f) "Redemption or Distribution Procedures."

(i) Notice of any redemption of, or notice of distribution of Debentures in exchange for the Trust Securities (a "Redemption/Distribution Notice"), will be given by the Trust by mail to each Holder of Trust Securities to be redeemed or exchanged not fewer than 30 nor more than 60 days before the date fixed for redemption or exchange thereof which, in the case of a redemption, will be the date fixed for redemption of the Debentures. For purposes of the calculation of the date of redemption or exchange and the dates on which notices are given pursuant to this Section 4(f)(i), a Redemption/Distribution Notice shall be deemed to be given on the day such notice is first mailed by first-class mail, postage prepaid, to Holders of Trust Securities. Each Redemption/Distribution Notice shall be addressed to the Holders of Trust Securities at the address of each such Holder appearing in the books and records of the Trust. No defect in the Redemption/Distribution Notice or in the mailing of either thereof with respect to any Holder shall affect the validity of the redemption or exchange proceedings with respect to any other Holder.

(ii) In the event that fewer than all the outstanding Trust Securities are to be redeemed, the Trust Securities to be redeemed shall be redeemed Pro Rata from each Holder of Securities. The particular Securities to be redeemed shall be selected on a Pro Rata basis not more than 60 days prior to the redemption date by the Institutional Trustee from the outstanding Securities not previously called for redemption, by such method as the Institutional Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions (equal to \$ or an integral

multiple of \$\_\_\_ in excess thereof) of the liquidation preference amount of Securities of a denomination larger than \$ . The

Institutional Trustee shall notify the Transfer Agent and Registrar in writing of the Securities selected for redemption, and in the case of any Securities selected for partial redemption, the liquidation preference amount thereof to be redeemed. For all purposes of the Declaration, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Securities redeemed or to be redeemed only in part, or to the portion of the aggregate liquidation preference amount of Securities which has been or is to be redeemed.

(iii) If Trust Securities are to be redeemed and the Trust gives a Redemption/Distribution Notice, then provided that the Debenture Issuer has paid the Institutional Trustee a sufficient amount of cash in connection with the related redemption or maturity of the Debentures, the Institutional Trustee will pay the relevant Redemption Price to the holders of such Trust Securities by check mailed to the address of the relevant Holders appearing on the books and records of the Trust on the redemption date. If a Redemption/Distribution Notice shall have been given and funds deposited as required, if applicable, then immediately prior to the close of business on the date of such deposit, or on the redemption date, as applicable, distributions will cease to accrue on the Trust Securities so called for redemption and all rights of Holders of such Trust Securities so called for redemption will cease, except the right of the Holders of such Trust Securities to receive the Redemption Price, but without interest on such Redemption Price. Neither the Regular Trustees nor the Trust

shall be required to register or cause to be registered the transfer of any Trust Securities that have been so called for redemption. If any date fixed for redemption of Trust Securities is not a Business Day, then payment of the Redemption Price payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day falls in the next calendar year, such payment will be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date fixed for redemption. If payment of the Redemption Price in respect of any Trust Securities is improperly withheld or refused and not paid either by the Institutional Trustee or by the Sponsor as guarantor pursuant to the relevant Guarantee, Distributions on such Trust Securities will continue to accrue from the original redemption date to the actual date of payment, in which case the actual payment date will be considered the date fixed for redemption for purposes of calculating the Redemption Price.

(iv) Redemption/Distribution Notices shall be sent by the Regular Trustees on behalf of the Trust to (A) in respect of the Securities, to the Holder thereof, and (B) in respect of the Common Securities to the Holder thereof.

(v) Subject to the foregoing and applicable law (including, without limitation, United States federal securities laws), provided the acquiror is not the Holder of the Common Securities or the obligor under the Indenture, the Sponsor or any of its subsidiaries may at any time and from time to time purchase outstanding Securities by tender, in the open market or by private agreement.

#### 5. Voting Rights - Securities.

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(a) Except as provided under Sections 5(b) and 7 and as otherwise required by law and the Declaration, the Holders of the Securities will have no voting rights.

(b) Subject to the requirements set forth in this paragraph, the Holders of a majority in aggregate liquidation amount of the Securities, voting separately as a class, may direct the time, method, and place of conducting any proceeding for any remedy available to the Institutional Trustee, or exercising any trust or power conferred upon the Institutional Trustee under the Declaration, including the right to direct the Institutional Trustee, as holder of the Debentures, to (i) exercise the remedies available under the Indenture of conducting any proceeding for any remedy available to the Debenture Trustee, or exercising any trust or power conferred on the Debenture Trustee with respect to the Debentures, (ii) waive any past default and its consequences that is waivable under Section 813 of the Indenture, or (iii) exercise any right to rescind or annul a declaration that the principal of all the Debentures shall be due and payable. The Institutional Trustee shall not revoke any action previously authorized or approved by a vote of the Holders of the Securities. Other than with respect to directing the time, method and place of conducting any remedy available to the Institutional Trustee or the Debenture Trustee as set forth above, the Institutional Trustee shall not take any action in accordance with the directions of the Holders of the Securities under this paragraph unless the Institutional Trustee has obtained an opinion of tax counsel to the effect that for the purposes of United States federal income tax the Trust will not be treated as an association taxable as a corporation on account of such action. If an Event of Default has occurred and is continuing and such event is attributable to the failure of the Debenture Issuer to pay interest or principal on the Debentures on the date such interest or principal is otherwise payable (or in the case of redemption, on the redemption date), then a holder of Securities may directly institute a proceeding for enforcement of payment to such Holder of the principal of or interest on the Debentures having a principal amount equal to the aggregate liquidation amount of the Securities of such holder (a "Direct Action") on or after the respective due date specified in the Debentures. In connection with such Direct Action, the rights of the holders of the Common Securities Holder will be subrogated to the rights of such holder of Securities to the extent of any payment made by the Issuer to such holder of Securities in such Direct Action. Except as provided in the preceding sentences, the Holders of Securities will not be able to exercise directly any other remedy available to the holders of the Debentures.

Any approval or direction of Holders of Securities may be given at a separate meeting of Holders of Securities convened for such purpose, at a meeting of all of the Holders of Trust Securities in the Trust or pursuant to written consent. The Regular Trustees will cause a notice of



any meeting at which Holders of Securities are entitled to vote, or of any matter upon which action by written consent of such Holders is to be taken, to be mailed to each Holder of record of Securities. Each such notice will include a statement setting forth (i) the date of such meeting or the date by which such action is to be taken, (ii) a description of any resolution proposed for adoption at such meeting on which such Holders are entitled to vote or of such matter upon which written consent is sought and (iii) instructions for the delivery of proxies or consents.

No vote or consent of the Holders of the Securities will be required for the Trust to redeem and cancel Securities or to distribute the Debentures in accordance with the Declaration and the terms of the Trust Securities.

Notwithstanding that Holders of Securities are entitled to vote or consent under any of the circumstances described above, any of the Securities that are owned by the Sponsor or any Affiliate of the Sponsor shall not be entitled to vote or consent and shall, for purposes of such vote or consent, be treated as if they were not outstanding.

6. Voting Rights - Common Securities.  
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(a) Except as provided under Sections 6(b), (c), 7(a) and 8 as otherwise required by law and the Declaration, the Holders of the Common Securities will have no voting rights.

(b) The Holders of the Common Securities are entitled, in accordance with Article V of the Declaration, to vote to appoint, remove or replace any Trustee or to increase or decrease the number of Trustees.

(c) Subject to Section 2.6 of the Declaration and only after the Event of Default with respect to the Securities has been cured, waived, or otherwise eliminated and subject to the requirements of the second to last sentence of this paragraph, the Holders of a Majority in liquidation amount of the Common Securities, voting separately as a class, may direct the time, method, and place of conducting any proceeding for any remedy available to the Institutional Trustee, or exercising any trust or power conferred upon the Institutional Trustee under the Declaration, including (i) directing the time, method, place of conducting any proceeding for any remedy available to the Debenture Trustee, or exercising any trust or power conferred on the Debenture Trustee with respect to the Debentures, (ii) waive any past default and its consequences that is waivable under Section 713 of the Indenture, or (iii) exercise any right to rescind or annul a declaration that the principal of all the Debentures shall be due and payable. Pursuant to this Section 6(c), the Institutional Trustee shall not revoke any action previously authorized or approved by a vote of the Holders of the Securities. Other than with respect to directing the time, method and place of conducting any remedy available to the Institutional Trustee or the Debenture Trustee as set forth above, the Institutional Trustee shall not take any action in accordance with the directions of the Holders of the Common Securities under this paragraph unless the Institutional Trustee has obtained an opinion of tax counsel to the effect that for the purposes of United States federal income tax the Trust will not be treated as an association taxable as a corporation on account of such action. If the Institutional Trustee fails to enforce its rights under the Declaration, any Holder of Common Securities may institute a legal proceeding directly against any Person to enforce the Institutional Trustee's rights under the Declaration, without first instituting a legal proceeding against the Institutional Trustee or any other Person.

Any approval or direction of Holders of Common Securities may be given at a separate meeting of Holders of Common Securities convened for such purpose, at a meeting of all of the Holders of Securities in the Trust or pursuant to written consent. The Regular Trustees will cause a notice of any meeting at which Holders of Common Securities are entitled to vote, or of any matter upon which action by written consent of such Holders is to be taken, to be mailed to each Holder of record of Common Securities. Each such notice will include a statement setting forth (i) the date of such meeting or the date by which such action is to be taken, (ii) a description of any resolution proposed for adoption at such meeting on which such Holders are entitled to vote or of such matter upon which written consent is sought and (iii) instructions for the delivery of proxies or consents.

No vote or consent of the Holders of the Common Securities will be required for the Trust to redeem and cancel Common Securities or to distribute the Debentures in accordance with the Declaration and the terms of the Trust Securities.

7. Amendments to Declaration and Indenture.  
-----

(a) In addition to any requirements under Section 12.1 of the Declaration, if any proposed amendment to the Declaration provides for, or the Regular Trustees otherwise propose to effect, (i) any action that would adversely affect the powers, preferences or special rights of the Securities in any material respect, whether by way of amendment to the Declaration or otherwise, or (ii) the dissolution, winding-up or termination of the Trust, other than as described in Section 8.1 of the Declaration, then the Holders of outstanding Trust Securities voting together as a single class, will be entitled to vote on such amendment or proposal (but not on any other amendment or proposal) and such amendment or proposal shall not be effective except with the approval of the Holders of at least a Majority in liquidation amount of the Trust Securities, affected thereby, provided, however, that if any amendment or proposal referred to in clause (i) above would so adversely affect only the Securities or only the Common Securities, then only the affected class will be entitled to vote on such amendment or proposal and such amendment or proposal shall not be effective except with the approval of a Majority in liquidation amount of such class of Trust Securities.

(b) In the event the consent of the Institutional Trustee as the holder of the Debentures is required under the Indenture with respect to any amendment, modification or termination on the Indenture or the Debentures, the Institutional Trustee shall request the written approval of the Holders of the Trust Securities with respect to such amendment, modification or termination and shall vote with respect to such amendment, modification or termination as directed by a Majority in liquidation amount of the Trust Securities voting together as a single class; provided, however, that where a consent under the Indenture would require the consent of each holder of the Debentures, the Institutional Trustee may only give such consent with the approval of each Holder of outstanding Trust Securities; and provided, further, that, the Institutional Trustee shall not take any action in accordance with the directions of the Holders of the Trust Securities under this Section 7(b) unless the Institutional Trustee has obtained an opinion of tax counsel to the effect that for the purposes of United States federal income tax the Trust will not be treated as an association taxable as a corporation on account of such action.

8. Pro Rata.  
-----

A reference in these terms of the Trust Securities to any payment, distribution or treatment as being "Pro Rata" shall mean pro rata to each Holder of Trust Securities according to the aggregate liquidation amount of the Trust Securities held by the relevant Holder in relation to the aggregate liquidation amount of all Trust Securities outstanding unless, in relation to a payment, an Event of Default under the Declaration has occurred and is continuing, in which case any funds available to make such payment shall be paid first to each Holder of the Securities pro rata according to the aggregate liquidation amount of Securities held by the relevant Holder relative to the aggregate liquidation amount of all Securities outstanding, and only after satisfaction of all amounts owed to the Holders of the Securities, to each Holder of Common Securities pro rata according to the aggregate liquidation amount of Common Securities held by the relevant Holder relative to the aggregate liquidation amount of all Common Securities outstanding.

9. Ranking.  
-----

The Securities rank pari passu and payment thereon shall be made Pro Rata with the Common Securities except that, where an Event of Default occurs and is continuing, the rights of Holders of the Common Securities and the rights of the Sponsor or any Affiliate of the Sponsor, to the extent of their beneficial ownership of Securities, to payment in respect of Distributions and payments upon liquidation, redemption and otherwise are subordinated to the rights to payment of other Holders of the Securities.

10. Listing.  
-----

The Regular Trustees shall use all reasonable efforts to cause the Securities to be listed for quotation on the New York Stock Exchange.

11. Acceptance of Guarantee and Indenture.  
-----

Each Holder of Securities and Common Securities, by the acceptance thereof, agrees to the provisions of the Securities Guarantee, the Common Securities Guarantee and the Indenture, respectively, including

the subordination provisions therein.

12. No Preemptive Rights.  
-----

The Holders of the Trust Securities shall have no preemptive rights to subscribe for any additional securities.

13. Miscellaneous.  
-----

These terms constitute a part of the Declaration.

The Sponsor will provide a copy of the Declaration, the Securities Guarantee or the Common Securities Guarantee (as may be appropriate), and the Indenture to a Holder without charge on written request to the Sponsor at its principal place of business.



EXHIBIT A-1

FORM OF SECURITY CERTIFICATE

This Security is a Global Certificate within the meaning of the Declaration hereinafter referred to and is registered in the name of The Depository Trust Company (the "Depository") or a nominee of the Depository. This Security is exchangeable for Securities registered in the name of a person other than the Depository or its nominee only in the limited circumstances described in the Declaration and no transfer of this Security (other than a transfer of this Security as a whole by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository) may be registered except in limited circumstances.

Unless this Security is presented by an authorized representative of The Depository Trust Company (55 Water Street, New York, New York) to the Trust or its agent for registration of transfer, exchange or payment, and any Security issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment hereon is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY A PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

Certificate Number \_\_\_\_\_ Number of Securities \_\_\_\_\_  
CUSIP NO. \_\_\_\_\_

Certificate Evidencing Securities

of

WASHINGTON WATER POWER CAPITAL II

\_\_\_\_\_ % Securities, Series B

(liquidation amount \$ \_\_\_\_\_ per Security)

WASHINGTON WATER POWER CAPITAL II, a statutory business trust formed under the laws of the State of Delaware (the "Trust"), hereby certifies that \_\_\_\_\_ (the "Holder") is the registered owner of \_\_\_\_\_ securities of the Trust representing undivided beneficial interests in the assets of the Trust designated the \_\_\_\_\_ % Securities, Series B (liquidation amount \$ \_\_\_\_\_ per Security) (the "Securities"). The Securities are transferable on the books and records of the Trust, in person or by a duly authorized attorney, upon surrender of this certificate duly endorsed and in proper form for transfer. The designation, rights, privileges, restrictions, preferences and other terms and provisions of the Securities represented hereby are issued and shall in all respects be subject to the provisions of the Amended and Restated Declaration of Trust of the Trust dated as of \_\_\_\_\_, 199 , as the same may be amended from time to time (the "Declaration"), including the designation of the terms of the Securities as set forth in Annex I to the Declaration. Capitalized terms used herein but not defined shall have the meaning given them in the Declaration. The Holder is entitled to the benefits of the Securities Guarantee to the extent provided therein. The Sponsor will provide a copy of the Declaration, the Securities Guarantee and the Indenture to a Holder without charge upon written request to the Trust at its principal place of business.

Upon receipt of this certificate, the Holder is bound by the Declaration and is entitled to the benefits thereunder.

By acceptance, the Holder agrees to treat, for United States federal income tax purposes, the Debentures as indebtedness and the Securities as evidence of indirect beneficial ownership in the Debentures.

IN WITNESS WHEREOF, the Trust has executed this certificate this

day of \_\_\_\_\_, 199 .

-----

WASHINGTON WATER POWER CAPITAL II

By:

-----

Name:

Title: Regular Trustee

[FORM OF REVERSE OF SECURITY]

Distributions payable on each Security will be fixed at a rate per annum of \_\_\_\_\_ % (the "Coupon Rate") of the stated liquidation amount of

-----  
\$ \_\_\_\_\_ per Security, such rate being the rate of interest payable on the

-----  
Debentures to be held by the Institutional Trustee. Distributions in arrears for more than one Distribution period will bear interest thereon compounded \_\_\_\_\_ at the Coupon Rate (to the extent permitted by

-----  
applicable law). The term "Distributions" as used herein includes such cash distributions and any such interest payable unless otherwise stated. A Distribution is payable only to the extent that payments are made in respect of the Debentures held by the Institutional Trustee and to the extent the Institutional Trustee has funds available therefor. The amount of Distributions payable for any period will be computed for any full Distribution period on the basis of a 360-day year of twelve

-----  
30-day months, and for any period shorter than a full

-----  
Distribution period for which Distributions are computed, Distributions will be computed on the basis of the actual number of days elapsed per \_\_\_\_\_-day Distribution period.

-----  
Except as otherwise described below, distributions on the Securities will be cumulative, will accrue from the date of original issuance and will be payable \_\_\_\_\_ in arrears, on \_\_\_\_\_ of each year, commencing on \_\_\_\_\_, 199 , to \_\_\_\_\_, 20 , to holders of

-----  
record on the relevant record dates (as specified in the Declaration) next preceding such payment dates, which payment dates shall correspond to the interest payment dates on the Debentures. The Debenture Issuer has the right under the Indenture to defer payments of interest by extending the interest payment period from time to time on the Debentures for a period not exceeding \_\_\_\_\_ consecutive Distribution periods (each an "Extension

-----  
Period") and as a consequence of such deferral, Distributions will also be deferred, provided, however, that no Extension Period shall last beyond the date of the maturity of the Debentures. Despite such deferral, \_\_\_\_\_

-----  
Distributions will continue to accrue with interest thereon (to the extent permitted by applicable law) at the Coupon Rate compounded \_\_\_\_\_ during

-----  
any such Extension Period. Prior to the termination of any such Extension Period, the Debenture Issuer may further extend such Extension Period; provided, however, that such Extension Period together with all such previous and further extensions thereof may not exceed \_\_\_\_\_ consecutive

-----  
Distribution periods or extend beyond the maturity of the Debentures. Payments of accrued Distributions will be payable to Holders as they appear on the books and records of the Trust on the first record date after the end of the Extension Period. Upon the termination of any Extension Period and the payment of all amounts then due, the Debenture Issuer may commence a new Extension Period, subject to the above requirements.

-----  
The Securities shall be redeemable as provided in the Declaration.

-----  
The Declaration and the Securities shall be governed by and construed in accordance with the laws of the State of Delaware, and all rights and remedies shall be governed by such laws without regard to principles of conflict of laws.

-----  
ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers this Security Certificate to:

-----  
-----  
-----  
(Insert assignee's social security or tax identification number)  
-----  
-----  
-----

-----  
-----  
-----  
(Insert address and zip code of assignee)

and irrevocably appoints

-----  
-----  
----- agent  
to transfer this Security Certificate on the books of the Trust. The agent  
may substitute another to act for him or her.

Date: -----

Signature: -----  
(Sign exactly as your name appears on the other side of this Security Certificate)

Signature Guarantee\* -----

-----  
\* Signature must be guaranteed by an "eligible guarantor institution" that is a bank, stockbroker, savings and loan association or credit union meeting the requirements of the Registrar, which requirements include membership or participation in the Securities Transfer Agents Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities and Exchange Act of 1934, as amended.







IN WITNESS WHEREOF, the Trust has executed this certificate this  
day of \_\_\_\_\_, 199 .

WASHINGTON WATER POWER CAPITAL II

By:

-----  
Name:

Title: Regular Trustee

[FORM OF REVERSE OF SECURITY]

Distributions payable on each Common Security will be fixed at a rate per annum of \_\_\_\_\_ % (the "Coupon Rate") of the stated liquidation

amount of \$ \_\_\_\_\_ per Common Security, such rate being the rate of interest

payable on the Debentures to be held by the Institutional Trustee. Distributions in arrears for more than one Distribution period will bear interest thereon compounded \_\_\_\_\_ at the Coupon Rate (to the extent

permitted by applicable law). The term "Distributions" as used herein includes such cash distributions and any such interest payable unless otherwise stated. A Distribution is payable only to the extent that payments are made in respect of the Debentures held by the Institutional Trustee and to the extent the Institutional Trustee has funds available therefor. The amount of Distributions payable for any period will be computed for any full \_\_\_\_\_ Distribution period on the basis of a

360-day year of twelve 30-day months, and for any period shorter than a full \_\_\_\_\_ Distribution period for which Distributions are computed,

Distributions will be computed on the basis of the actual number of days elapsed per \_\_\_\_\_-day Distribution period.

Except as otherwise described below, distributions on the Common Securities will be cumulative, will accrue from the date of original issuance and will be payable \_\_\_\_\_ in arrears, on \_\_\_\_\_ of each

year, commencing on \_\_\_\_\_, 199 , to \_\_\_\_\_, 20 , to Holders of

record on the relevant record dates (as specified in the Declaration) next preceding such payment dates, which payment dates shall correspond to the interest payment dates on the Debentures. The Debenture Issuer has the right under the Indenture to defer payments of interest by extending the interest payment period from time to time on the Debentures for a period not exceeding \_\_\_\_\_ consecutive Distribution periods (each an "Extension

Period") and as a consequence of such deferral, Distributions will also be deferred; provided, however, that no Extension Period shall last beyond the date of the maturity of the Debentures. Despite such deferral,

Distributions will continue to accrue with interest thereon (to the extent permitted by applicable law) at the Coupon Rate compounded \_\_\_\_\_ during

any such Extension Period. Prior to the termination of any such Extension Period, the Debenture Issuer may further extend such Extension Period; provided, however, that such Extension Period together with all such previous and further extensions thereof may not exceed \_\_\_\_\_ consecutive

Distribution periods or extend beyond the maturity date of the Debentures. Payments of accrued Distributions will be payable to Holders as they appear on the books and records of the Trust on the first record date after the end of the Extension Period. Upon the termination of any Extension Period and the payment of all amounts then due, the Debenture Issuer may commence a new Extension Period, subject to the above requirements.

The Common Securities shall be redeemable as provided in the Declaration.

The Declaration and the Common Securities shall be governed by and construed in accordance with the laws of the State of Delaware, and all rights and remedies shall be governed by such laws without regard to principles of conflict of laws.

-----  
ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers this Common Security Certificate to:

-----  
-----  
-----  
(Insert assignee's social security or tax identification number)

-----  
-----  
-----  
(Insert address and zip code of assignee)

and irrevocably appoints

-----  
-----  
-----  
agent to transfer

-----  
this Common Security Certificate on the books of the Trust. The agent may substitute another to act for him or her.

Date:

-----  
Signature:

-----  
(Sign exactly as your name appears on the other side of this Common Security Certificate)

Signature Guarantee\*:  
-----

-----  
\* Signature must be guaranteed by an "eligible guarantor institution" that is a bank, stockbroker, savings and loan association or credit union meeting the requirements of the Registrar, which requirements include membership or participation in the Securities Transfer Agents Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities and Exchange Act of 1934, as amended.

=====

AMENDED AND RESTATED DECLARATION  
OF TRUST

WASHINGTON WATER POWER CAPITAL III

Dated as of \_\_\_\_\_, 199  
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CROSS-REFERENCE TABLE\*

Section of Trust Indenture Act of 1939, as amended -----	Section of Declaration -----
310(a) . . . . .	5.3(a)
310(b) . . . . .	5.3(c)
310(c) . . . . .	Inapplicable
311(a) . . . . .	2.2(b)
311(b) . . . . .	2.2(b)
311(c) . . . . .	Inapplicable
312(a) . . . . .	2.2(a)
312(b) . . . . .	2.2(b)
313 . . . . .	2.3
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314(b) . . . . .	Inapplicable
314(c) . . . . .	2.5
314(d) . . . . .	Inapplicable
314(e) . . . . .	1.1 (Definition of Officer's Certificate)
314(f) . . . . .	Inapplicable
315(a) . . . . .	3.9(a)
315(b) . . . . .	2.7
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316(a) . . . . .	2.6; Annex I, Section 5
316(c) . . . . .	3.6(e)
317(a) . . . . .	3.8(h)
317(b) . . . . .	3.8(i)
318 . . . . .	2.1

-----

\* This Cross-Reference Table does not constitute part of the Declaration and shall not affect the interpretation of any of its terms or provisions.

AMENDED AND RESTATED  
DECLARATION OF TRUST  
OF  
WASHINGTON WATER POWER CAPITAL III

, 199

AMENDED AND RESTATED DECLARATION OF TRUST ("Declaration") dated and effective as of \_\_\_\_\_, 199 , by the Trustees (as defined herein), the Sponsor (as defined herein) and by the holders, from time to time, of undivided beneficial interests in the Trust to be issued pursuant to this Declaration;

WHEREAS, the Trustees and the Sponsor established Washington Water Power Capital III (the "Trust"), a trust under the Delaware Business Trust Act pursuant to a Declaration of Trust dated as of November 4, 1996 (the "Original Declaration"), and a Certificate of Trust filed with the Secretary of State of the State of Delaware on November 4, 1996, for the sole purpose of issuing and selling certain securities representing undivided beneficial interests in the assets of the Trust and investing the proceeds thereof in certain Debentures of the Debenture Issuer;

WHEREAS, as of the date hereof, no interests in the Trust have been issued;

WHEREAS, all of the Trustees and the Sponsor, by this Declaration, amend and restate each and every term and provision of the Original Declaration; and

NOW, THEREFORE, it being the intention of the parties hereto to continue the Trust as a business trust under the Business Trust Act and that this Declaration constitute the governing instrument of such business trust, the Trustees declare that all assets contributed to the Trust will be held in trust for the benefit of the holders, from time to time, of the securities representing undivided beneficial interests in the assets of the Trust issued hereunder, subject to the provisions of this Declaration.

ARTICLE I  
INTERPRETATION AND DEFINITIONS

SECTION 1.1 Definitions.

Unless the context otherwise requires:

(a) Capitalized terms used in this Declaration but not defined in the preamble above have the respective meanings assigned to them in this Section 1.1;

(b) a term defined anywhere in this Declaration has the same meaning throughout;

(c) all references to "the Declaration" or "this Declaration" are to this Declaration as modified, supplemented or amended from time to time;

(d) all references in this Declaration to Articles and Sections and Annexes and Exhibits are to Articles and Sections of and Annexes and Exhibits to this Declaration unless otherwise specified;

(e) a term defined in the Trust Indenture Act has the same meaning when used in this Declaration unless otherwise defined in this Declaration or unless the context otherwise requires; and

(f) a reference to the singular includes the plural and vice versa.

"Affiliate" has the same meaning as given to that term in Rule 405 of the Securities Act or any successor rule thereunder.

"Agent" means any Paying Agent.

"Authorized Officer" of a Person means any Person that is  
-----  
authorized to legally bind such Person.

"Business Day" means any day other than Saturday, Sunday or any  
-----  
other day on which banking institutions in the City of Wilmington, Delaware  
and The City of New York are authorized or required by any applicable law  
to close.

"Business Trust Act" means Chapter 38 of Title 12 of the Delaware  
-----  
Code, 12 Del. Code Section 3801 et seq., as it may be amended from time to  
-----  
time, or any successor legislation.

"Certificate" means a Common Security Certificate or a Security  
-----  
Certificate.

"Closing Date" means the "Closing Time" and each "Date of  
-----  
Delivery" under the Underwriting Agreement.

"Code" means the Internal Revenue Code of 1986, as amended from  
-----  
time to time, or any successor legislation.

"Commission" means the Securities and Exchange Commission.  
-----

"Common Securities" has the meaning specified in Section 7.1.(a).  
-----

"Common Securities Guarantee" means the guarantee agreement to be  
-----  
dated as of \_\_\_\_\_, 199\_ of the Sponsor in respect of the Common  
Securities.

"Common Security Certificate" means a certificate in fully  
-----  
registered form representing a Common Security substantially in the form of  
Exhibit A-2.

"Company Indemnified Person" means (a) any Regular Trustee; (b)  
-----  
any Affiliate of any Regular Trustee; (c) any officers, directors,  
shareholders, members, partners, employees, representatives or agents of  
any Regular Trustee; or (d) any officer, employee or agent of the Trust or  
its Affiliates.

"Corporate Trust Office" means the office of the Institutional  
-----  
Trustee at which the corporate trust business of the Institutional Trustee  
shall, at any particular time, be principally administered, which office at  
the date of execution of this Agreement is located at Rodney Square North,  
1100 North Market Street, Wilmington, Delaware 19890.

"Covered Person" means: (a) any officer, director, shareholder,  
-----  
partner, member, representative, employee or agent of (i) the Trust or (ii)  
the Trust's Affiliates; and (b) any Holder of Trust Securities.

"Debenture Issuer" means The Washington Water Power Company, a  
-----  
Washington corporation, or any successor entity resulting from any  
consolidation, amalgamation, merger or other business combination, in its  
capacity as issuer of the Debentures under the Indenture.

"Debenture Trustee" means Wilmington Trust Company, a Delaware  
-----  
banking corporation, as trustee under the Indenture until a successor is  
appointed thereunder, and thereafter means such successor trustee.

"Debentures" means the series of Debentures to be issued by the  
-----  
Debenture Issuer under the Indenture to be held by the Institutional  
Trustee.

"Delaware Trustee" has the meaning set forth in Section 5.2.

-----  
"Depository" has the meaning set forth in Section 9.1.  
-----

"Distribution" means a distribution payable to Holders of Trust  
-----  
Securities in accordance with Section 6.1.

"Event of Default", in respect of the Trust Securities, means an  
-----  
Event of Default as defined in the Indenture, so long as the same shall be  
continuing under the Indenture.

"Exchange Act" means the Securities Exchange Act of 1934, as  
-----  
amended from time to time, or any successor legislation.

"Fiduciary Indemnified Person" has the meaning set forth in  
-----  
Section 10.4(b).

"Guarantees" means the Common Securities Guarantee and the  
-----  
Securities Guarantee.

"Holder" means a Person in whose name a Certificate representing  
-----  
a Trust Security is registered, such Person being a beneficial owner within  
the meaning of the Business Trust Act.

"Indemnified Person" means a Company Indemnified Person or a  
-----  
Fiduciary Indemnified Person.

"Indenture" means the Indenture dated as of \_\_\_\_\_ 1, 199\_,  
-----  
between the Debenture Issuer and the Debenture Trustee, as supplemented.

"Institutional Trustee" has the meaning set forth in Section 5.3.  
-----

"Institutional Trustee Account" has the meaning set forth in  
-----  
Section 3.8(c)(i).

"Investment Company" means an investment company as defined in  
-----  
the Investment Company Act.

"Investment Company Act" means the Investment Company Act of  
-----  
1940, as amended from time to time, or any successor legislation.

"Legal Action" has the meaning set forth in Section 3.6(g).  
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"Majority in liquidation amount of the Trust Securities" means,  
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except as provided in the terms of the Securities or by the Trust Indenture  
Act, Holder(s) of outstanding Trust Securities voting together as a single  
class or, as the context may require, Holders of outstanding Securities or  
Holders of outstanding Common Securities voting separately as a class, who  
are the record owners of more than 50% of the aggregate liquidation amount  
(including the stated amount that would be paid on redemption, liquidation  
or otherwise, plus accrued and unpaid Distributions to the date upon which  
the voting percentages are determined) of all outstanding Trust Securities  
of the relevant class.

"Ministerial Action" has the meaning set forth in the terms of  
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the Trust Securities as set forth in Annex I.

"Officer's Certificate" means, with respect to any Person, a  
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certificate signed by an Authorized Officer of such Person. Any Officer's  
Certificate delivered with respect to compliance with a condition or  
covenant provided for in this Declaration shall include:

(a) a statement that each officer signing the Officers' Certificate  
has read such covenant or condition and the definitions herein relating

thereto;

(b) a brief statement of the nature and scope of the examination or investigation upon which the statements contained in such Officer's Certificate are based;

(c) a statement that, in the opinion of such officer, such officer has made such examination or investigation as is necessary to enable such officer to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of such officer, such condition or covenant has been complied with.

"Paying Agent" has the meaning specified in Section 7.2.  
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"Person" means a legal person, including any individual,  
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corporation, estate, partnership, joint venture, association, joint stock company, limited liability company, trust, unincorporated association, or government or any agency or political subdivision thereof, or any other entity of whatever nature.

"Quorum" means a majority of the Regular Trustees or, if there  
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are only two Regular Trustees, both of them.

"Registrar" means the registrar for the Securities appointed by  
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the Trust and shall initially be Wilmington Trust Company.

"Regular Trustee" has the meaning set forth in Section 5.1.  
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"Related Party" means, with respect to the Sponsor, any direct or  
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indirect wholly owned subsidiary of the Sponsor or any other Person that owns, directly or indirectly, 100% of the outstanding voting securities of the Sponsor.

"Responsible Officer" means, with respect to the Institutional  
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Trustee, any officer of the Institutional Trustee assigned by the Institutional Trustee to administer its corporate trust matters.

"Rule 3a-5" means Rule 3a-5 under the Investment Company Act, or  
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any successor rule or regulation.

"Securities" has the meaning specified in Section 7.1(a).  
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"Securities Act" means the Securities Act of 1933, as amended  
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from time to time, or any successor legislation.

"Security Certificate" means a certificate representing a  
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Security substantially in the form of Exhibit A-1.

"Securities Guarantee" means the guarantee agreement to be dated  
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as of \_\_\_\_\_, 199\_, of the Sponsor in respect of the Securities.

"Sponsor" means The Washington Water Power Company, a Washington  
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corporation, or any successor entity resulting from any consolidation, amalgamation, merger or other business combination, in its capacity as sponsor of the Trust.

"Tax Event" has the meaning set forth in Annex I hereto.  
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"10% in liquidation amount of the Trust Securities" means, except  
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as provided in the terms of the Securities or by the Trust Indenture Act, Holder(s) of outstanding Trust Securities voting together as a single class or, as the context may require, Holders of outstanding Securities or Holders of outstanding Common Securities voting separately as a class, who

are the record owners of 10% or more of the aggregate liquidation amount (including the stated amount that would be paid on redemption, liquidation or otherwise, plus accrued and unpaid Distributions to the date upon which the voting percentages are determined) of all outstanding Trust Securities of the relevant class.

"Transfer Agent" means the transfer agent for the Securities  
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appointed by the Trust and shall initially be Wilmington Trust Company.

"Treasury Regulations" means the income tax regulations,  
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including temporary and proposed regulations, promulgated under the Code by the United States Treasury, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

"Trustee" or "Trustees" means each Person who has signed this  
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Declaration as a trustee, so long as such Person shall continue in office in accordance with the terms hereof, and all other Persons who may from time to time be duly appointed, qualified and serving as Trustees in accordance with the provisions hereof, and references herein to a Trustee or the Trustees shall refer to such Person or Persons solely in their capacity as trustees hereunder.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as  
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amended from time to time, or any successor legislation.

"Trust Property" means (i) the Debentures, (ii) any cash or  
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deposit in, or owing to, the Institutional Trustee Account and (iii) all proceeds and rights in respect of the foregoing and any other property and assets for the time being held by the Institutional Trustee pursuant to the trusts of this Declaration.

"Trust Securities" means the Common Securities and the  
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Securities.

"Underwriting Agreement" means the Underwriting Agreement for the  
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offering and sale of Securities.

ARTICLE II  
TRUST INDENTURE ACT

SECTION 2.1 Trust Indenture Act; Application.  
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(a) This Declaration is subject to the provisions of the Trust Indenture Act that are required to be part of this Declaration and shall, to the extent applicable, be governed by such provisions.

(b) The Institutional Trustee shall be the only Trustee which is a Trustee for the purposes of the Trust Indenture Act.

(c) If and to the extent that any provision of this Declaration limits, qualifies or conflicts with the duties imposed by Sections 310 to 317, inclusive, of the Trust Indenture Act, such imposed duties shall control.

(d) The application of the Trust Indenture Act to this Declaration shall not affect the nature of the Trust Securities as equity securities representing undivided beneficial interests in the assets of the Trust.

SECTION 2.2 Lists of Holders of Trust Securities.  
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(a) Each of the Sponsor and the Regular Trustees on behalf of the Trust shall provide the Institutional Trustee (i) within 14 days after each record date for payment of Distributions, a list, in such form as the Institutional Trustee may reasonably require, of the names and addresses of the Holders of the Trust Securities ("List of Holders") as of such record date; provided, however, that neither the Sponsor nor the Regular Trustees on behalf of the Trust shall be obligated to provide such List of Holders at any time the List of Holders does not differ from the most recent List of Holders given to the Institutional Trustee by the Sponsor and the Regular Trustees on behalf of the Trust; and provided, further, that in any

event such List of Holders will be provided to the Institutional Trustee not less than once every 6 months pursuant to this Section 2.2(a)(i), and (ii) at any other time, within 30 days of receipt by the Trust of a written request for a List of Holders as of a date no more than 14 days before such List of Holders is given to the Institutional Trustee. The Institutional Trustee shall preserve, in as current a form as is reasonably practicable, all information contained in Lists of Holders given to it or which it receives in the capacity as Paying Agent (if acting in such capacity) provided, however, that the Institutional Trustee may destroy any List of Holders previously given to it on receipt of a new List of Holders.

(b) The Institutional Trustee shall comply with its obligations under Sections 311(a), 311(b) and 312(b) of the Trust Indenture Act.

SECTION 2.3 Reports by the Institutional Trustee.  
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Within 60 days after May 15 of each year, the Institutional Trustee shall provide to the Holders of the Securities such reports as are required by Section 313 of the Trust Indenture Act, if any, in the form and in the manner provided by Section 313 of the Trust Indenture Act. The Institutional Trustee shall also comply with the requirements of Section 313(d) of the Trust Indenture Act.

SECTION 2.4 Periodic Reports to Institutional Trustee.  
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Each of the Sponsor and the Regular Trustees on behalf of the Trust shall provide to the Institutional Trustee such documents, reports and information as required by Section 314 (if any) and the compliance certificate required by Section 314 of the Trust Indenture Act in the form, in the manner and at the times required by Section 314 of the Trust Indenture Act.

SECTION 2.5 Evidence of Compliance with Conditions Precedent.  
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Each of the Sponsor and the Regular Trustees on behalf of the Trust shall provide to the Institutional Trustee such evidence of compliance with any conditions precedent, if any, provided for in this Declaration that relate to any of the matters set forth in Section 314(c) of the Trust Indenture Act. Any certificate or opinion required to be given by an officer pursuant to Section 314(c)(1) may be given in the form of an Officer's Certificate.

SECTION 2.6 Events of Default; Waiver.  
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(a) The Holders of a Majority in liquidation amount of Securities may, by vote, on behalf of the Holders of all of the Securities, waive any past Event of Default in respect of the Securities and its consequences; provided, however, that if the underlying Event of Default under the Indenture is not waivable under the Indenture, the Event of Default under the Declaration shall also not be waivable.

Upon such waiver, any such default shall cease to exist, and any Event of Default with respect to the Securities arising therefrom shall be deemed to have been cured, for every purpose of this Declaration, but no such waiver shall extend to any subsequent or other default or an Event of Default with respect to the Securities or impair any right consequent thereon. Any waiver by the Holders of the Securities of an Event of Default with respect to the Securities shall also be deemed to constitute a waiver by the Holders of the Common Securities of any such Event of Default with respect to the Common Securities for all purposes of this Declaration without any further act, vote, or consent of the Holders of the Common Securities.

(b) The Holders of a Majority in liquidation amount of the Common Securities may, by vote, on behalf of the Holders of all of the Common Securities, waive any past Event of Default with respect to the Common Securities and its consequences; provided, however, that if the underlying Event of Default under the Indenture is not waivable under the Indenture, except where the Holders of the Common Securities are deemed to have waived such Event of Default under the Declaration as provided below in this Section 2.6(b), the Event of Default under the Declaration shall also not be waivable; and

provided, further, that, each Holder of Common Securities will be deemed to have waived any such Event of Default and all Events of Default with respect to the Common Securities and its consequences until all Events of Default with respect to the Securities have been cured, waived or otherwise

eliminated, and until such Events of Default have been so cured, waived or otherwise eliminated, the Institutional Trustee will be deemed to be acting solely on behalf of the Holders of the Securities and only the Holders of the Securities will have the right to direct the Institutional Trustee in accordance with the terms of the Trust Securities. Subject to the foregoing provisions of this Section 2.6(b), upon such waiver, any such default shall cease to exist and any Event of Default with respect to the Common Securities arising therefrom shall be deemed to have been cured for every purpose of this Declaration, but no such waiver shall extend to any subsequent or other default or Event of Default with respect to the Common Securities or impair any right consequent thereon.

(c) A waiver of an Event of Default under the Indenture by the Institutional Trustee at the direction of the Holders of the Securities shall constitute a waiver of the corresponding Event of Default under this Declaration.

SECTION 2.7 Notice of Event of Default.  
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The Institutional Trustee shall give notice of any default hereunder to the Holders of Trust Securities in the manner and to the extent required to do so by the Trust Indenture Act, unless such default shall have been cured or waived; provided, however, that in the case of any default hereunder arising out of a default of the character specified in Section 701(c) of the Indenture, no such notice to Holders shall be given until at least seventy-five (75) days after the occurrence thereof; and provided, further, that, subject to the provisions of Section 3.9, the Institutional Trustee shall not be deemed to have knowledge of such default unless either (i) a Responsible Officer of the Institutional Trustee shall have actual knowledge of such default or (ii) the Institutional Trustee shall have received written notice thereof from the Debenture Issuer, the Sponsor, any Regular Trustee or any Holder. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time, or both, would become, an Event of Default.

ARTICLE III  
ORGANIZATION

SECTION 3.1 Name.  
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The Trust is named "Washington Water Power Capital III," as such name may be modified from time to time by the Regular Trustees following written notice to the Holders of Securities. The Trust's activities may be conducted under the name of the Trust or any other name deemed advisable by the Regular Trustees.

SECTION 3.2 Office.  
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The address of the principal office of the Trust is c/o The Washington Water Power Company, 1411 East Mission Avenue, Spokane, Washington 99202. On ten Business Days' written notice to the Holders of Trust Securities, the Regular Trustees may designate another principal office.

SECTION 3.3 Purpose.  
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The exclusive purposes and functions of the Trust are (a) to issue and sell Trust Securities and use the proceeds from such sale to acquire the Debentures, and (b) except as otherwise limited herein, to engage in only those other activities necessary or incidental thereto. The Trust shall not borrow money, issue debt or reinvest proceeds derived from investments, pledge any of its assets, or otherwise undertake (or permit to be undertaken) any activity that would cause the Trust to be treated for United States federal income tax purposes as an association taxable as a corporation.

SECTION 3.4 Authority.  
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Subject to the limitations provided in this Declaration and to the specific duties of the Institutional Trustee, the Regular Trustees shall have exclusive and complete authority to carry out the purposes of the Trust. An action taken by the Regular Trustees in accordance with their powers shall constitute the act of and serve to bind the Trust and an action taken by the Institutional Trustee on behalf of the Trust in accordance with its powers shall constitute the act of and serve to bind



the Trust. In dealing with the Trustees acting on behalf of the Trust, no person shall be required to inquire into the authority of the Trustees to bind the Trust. Persons dealing with the Trust are entitled to rely conclusively on the power and authority of the Trustees as set forth in this Declaration.

SECTION 3.5 Title to Property of the Trust.  
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Except as provided in Section 3.8 with respect to the Debentures and the Institutional Trustee Account or as otherwise provided in this Declaration, legal title to all assets of the Trust shall be vested in the Trust. The Holders shall not have legal title to any part of the assets of the Trust, but shall have an undivided beneficial interest in the assets of the Trust.

SECTION 3.6 Powers and Duties of the Regular Trustees.  
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The Regular Trustees shall have the exclusive power, duty and authority to cause the Trust to engage in the following activities:

(a) to issue and sell the Securities and the Common Securities in accordance with this Declaration; provided, however, that, the Trust may issue no more than one series of Securities and no more than one series of Common Securities and, provided further, that there shall be no interests in the Trust other than the Trust Securities, and the issuance of Trust Securities shall be limited to a simultaneous issuance of both Securities and Common Securities on each Closing Date;

(b) in connection with the issuance and sale of the Securities, at the direction of the Sponsor, to:

(i) execute and file with the Commission the registration statement on Form S-3 prepared by the Sponsor, including any amendments thereto, pertaining to the Securities;

(ii) execute and file any documents prepared by the Sponsor, or take any acts as determined by the Sponsor to be necessary in order to qualify or register all or part of the Securities in any state in which the Sponsor has determined to qualify or register such Securities for sale;

(iii) execute and file an application, prepared by the Sponsor, to The New York Stock Exchange, Inc. or any other national stock exchange or the Nasdaq Stock Market's National Market for listing upon notice of issuance of any Securities;

(iv) execute and file with the Commission a registration statement on Form 8-A, including any amendments thereto, prepared by the Sponsor, relating to the registration of the Securities under Section 12(b) of the Exchange Act; and

(v) execute and enter into the Underwriting Agreement providing for the sale of the Securities;

(c) to acquire the Debentures with the proceeds of the sale of the Securities and the Common Securities; provided, however, that the Regular Trustees shall cause the Debentures to be registered in the name of the Institutional Trustee as a Trustee hereunder;

(d) to give the Sponsor and the Institutional Trustee prompt written notice of the occurrence of a Tax Event; provided, however, that the Regular Trustees shall consult with the Sponsor and the Institutional Trustee before taking or refraining from taking any Ministerial Action in relation to a Tax Event;

(e) to establish a record date with respect to all actions to be taken hereunder that require a record date be established, including and with respect to, for the purposes of

316(c) of the Trust Indenture

Act, Distributions, voting rights, redemptions and exchanges, and to issue relevant notices to the Holders of Securities and Holders of Common Securities as to such actions and applicable record dates;

(f) to take all actions and perform such duties as may be required of the Regular Trustees pursuant to the terms of the Trust Securities;

(g) to bring or defend, pay, collect, compromise, arbitrate, resort to legal action, or otherwise adjust claims or demands of or against the Trust ("Legal Action"), unless pursuant to Section 3.8(e), the Institutional Trustee has the exclusive power to bring such Legal Action;

(h) to employ or otherwise engage employees and agents (who may be designated as officers with titles) and managers, contractors, advisors, and consultants and pay reasonable compensation for such services;

(i) to cause the Trust to comply with the Trust's obligations under the Trust Indenture Act;

314(a)(4) of (j) to give the certificate required by the Trust Indenture Act to the Institutional Trustee, which certificate may be executed by any Regular Trustee;

(k) to incur expenses that are necessary or incidental to carry out any of the purposes of the Trust;

(l) to act as, or appoint another Person to act as, Registrar and Transfer Agent for the Securities or to appoint a Paying Agent for the Trust Securities as provided in Section 7.2;

(m) to give prompt written notice to the Holders of the Trust Securities of any notice received from the Debenture Issuer of its election to defer payments of interest on the Debentures by extending the interest payment period under the Indenture;

(n) to execute all documents or instruments, perform all duties and powers, and do all things for and on behalf of the Trust in all matters necessary or incidental to the foregoing;

(o) to take all action that may be necessary or appropriate for the preservation and the continuation of the Trust's valid existence, rights, franchises and privileges as a statutory business trust under the laws of the State of Delaware and of each other jurisdiction in which such existence is necessary to protect the limited liability of the Holders of the Securities or to enable the Trust to effect the purposes for which the Trust was created;

(p) to take any action, not inconsistent with this Declaration or with applicable law, that the Regular Trustees determine in their discretion to be necessary or desirable in carrying out the activities of the Trust as set out in this Section 3.6, including, but not limited to:

(i) causing the Trust not to be deemed to be an Investment Company required to be registered under the Investment Company Act;

(ii) causing the Trust not to be treated for United States federal income tax purposes as an association taxable as a corporation; and

(iii) cooperating with the Debenture Issuer to ensure that the Debentures will be treated as indebtedness of the Debenture Issuer for United States federal income tax purposes;

provided, however, that such action does not materially and adversely affect the interests of Holders; and

(q) to take all action necessary to cause all applicable tax returns and tax information reports that are required to be filed with respect to the Trust to be duly prepared and filed by the Regular Trustees, on behalf of the Trust.

The Regular Trustees must exercise the powers set forth in this Section 3.6 in a manner that is consistent with the purposes and functions of the Trust set out in Section 3.3, and the Regular Trustees shall not take any action that is inconsistent with the purposes and functions of the Trust set forth in Section 3.3.

Subject to this Section 3.6, the Regular Trustees shall have none

of the powers or the authority of the Institutional Trustee set forth in Section 3.8.

Any expenses incurred by the Regular Trustees pursuant to this Section 3.6 shall be reimbursed by the Debenture Issuer.

SECTION 3.7 Prohibition of Actions by the Trust and the Trustees.  
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The Trust shall not, and the Trustees (including the Institutional Trustee) shall not, engage in any activity other than as required or authorized by this Declaration. In particular, the Trust shall not and the Trustees (including the Institutional Trustee) shall cause the Trust not to:

(i) invest any proceeds received by the Trust from holding the Debentures, but shall distribute all such proceeds to Holders of Trust Securities pursuant to the terms of this Declaration and of the Trust Securities;

(ii) acquire any assets other than as expressly provided herein;

(iii) possess Trust property for other than a Trust purpose;

(iv) make any loans or incur any indebtedness other than loans represented by the Debentures;

(v) possess any power or otherwise act in such a way as to vary the Trust assets or the terms of the Trust Securities in any way whatsoever;

(vi) issue any securities or other evidences of beneficial ownership of, or beneficial interest in, the Trust other than the Trust Securities; or

(vii) other than as provided in this Declaration or Annex I, (A) direct the time, method and place of exercising any trust or power conferred upon the Debenture Trustee with respect to the Debentures, (B) waive any past default that is waivable under the Indenture, (C) exercise any right to rescind or annul any declaration that the principal of all the Debentures shall be immediately due and payable, or (D) consent to any amendment, modification or termination of the Indenture or the Debentures where such consent shall be required unless the Trust shall have received an opinion of counsel to the effect that such modification will not cause more than an insubstantial risk that for United States federal income tax purposes the Trust will be treated as an association taxable as a corporation.

SECTION 3.8 Powers and Duties of the Institutional Trustee.  
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(a) The legal title to the Debentures shall be owned by and held of record in the name of the Institutional Trustee in trust for the benefit of the Holders of the Trust Securities. The right, title and interest of the Institutional Trustee to the Debentures shall vest automatically in each Person who may hereafter be appointed as Institutional Trustee in accordance with Section 5.7. Such vesting and cessation of title shall be effective whether or not conveyancing documents with regard to the Debentures have been executed and delivered.

(b) The Institutional Trustee shall not transfer its right, title and interest in the Debentures to the Regular Trustees or to the Delaware Trustee (it being understood, however, that the entity acting as Institutional Trustee may also act as Delaware Trustee).

(c) The Institutional Trustee shall:

(i) establish and maintain a segregated non-interest bearing trust account (the "Institutional Trustee Account") in the name of and under the exclusive control of the Institutional Trustee on behalf of the Holders of the Trust Securities and, upon the receipt of payments of funds made in respect of the Debentures held by the Institutional Trustee, deposit such funds into the Institutional Trustee Account and make payments to the Holders of the Trust Securities from the Institutional Trustee Account in accordance with Section 6.1. Funds in the Institutional Trustee Account shall be held uninvested until disbursed in accordance with this Declaration. The Institutional Trustee Account shall be an account that is maintained with a banking institution the rating on whose long-term unsecured indebtedness is at least equal to the rating assigned to the Securities by a nationally recognized statistical rating organization, within the meaning of Rule

436(g)(2) under the Securities Act or any successor rule or regulation;

(ii) engage in such ministerial activities as shall be necessary or appropriate to effect the redemption of the Securities and the Common Securities to the extent the Debentures are redeemed or mature; and

(iii) upon written notice of distribution issued by the Regular Trustees in accordance with the terms of the Trust Securities, engage in such ministerial activities as shall be necessary or appropriate to effect the distribution of the Debentures to Holders of Trust Securities upon the occurrence of certain special events (as may be defined in the terms of the Trust Securities) arising from a change in law or a change in legal interpretation or other specified circumstances pursuant to the terms of the Trust Securities.

(d) The Institutional Trustee shall take all actions and perform all duties that may be specifically required of the Institutional Trustee pursuant to the terms of the Trust Securities.

(e) The Institutional Trustee shall take any Legal Action which arises out of or in connection with an Event of Default of which a Responsible Officer of the Institutional Trustee has actual knowledge or the Institutional Trustee's duties and obligations under this Declaration or the Trust Indenture Act, and if such Institutional Trustee shall have failed to take such Legal Action, the Holders of the Securities may take such Legal Action, to the same extent as if such Holders of Securities held a principal amount of Debentures equal to the liquidation amount of such Securities, without first proceeding against the Institutional Trustee or the Trust; provided, however, that if an Event of Default has occurred and is continuing and such event is attributable to the failure of the Debenture Issuer to pay interest or principal on the Debentures on the date such interest or principal is otherwise payable (or in the case of redemption, on the redemption date), then a Holder of Securities may directly institute a proceeding for enforcement of payment to such Holder of the principal of or interest on the Debentures having a principal amount equal to the aggregate liquidation amount of the Securities of such Holder (a "Direct Action") on or after the respective due date specified in the Debentures. In connection with such Direct Action, the rights of the Holders of the Common Securities will be subrogated to the rights of such Holder of Securities to the extent of any payment made by the Issuer to such Holder of Securities in such Direct Action. Except as provided in the preceding sentences, the Holders of Securities will not be able to exercise directly any other remedy available to the holders of the Debentures.

(f) The Institutional Trustee shall not resign as a Trustee unless either:

(i) the Trust has been completely liquidated and the proceeds of the liquidation distributed to the Holders of Trust Securities pursuant to the terms of the Trust Securities; or

(ii) a Successor Institutional Trustee has been appointed and has accepted that appointment in accordance with Section 5.7.

(g) The Institutional Trustee shall have the legal power to exercise all of the rights, powers and privileges of a holder of Debentures under the Indenture and, if an Event of Default actually known to a Responsible Officer of the Institutional Trustee occurs and is continuing, the Institutional Trustee shall, for the benefit of Holders of the Trust Securities, enforce its rights as holder of the Debentures subject to the rights of the Holders pursuant to the terms of such Trust Securities.

(h) The Institutional Trustee shall be authorized to undertake all actions set forth in Section 317(a) of the Trust Indenture Act.

(i) The Institutional Trustee may, with the consent of the Regular Trustees, authorize one or more Persons (each, a "Paying Agent") to pay Distributions, redemption payments or liquidation payments on behalf of the Trust with respect to all Trust Securities and any such Paying Agent shall comply with Section 317(b) of the Trust Indenture Act. Any Paying Agent may be removed by the Institutional Trustee at any time and a successor Paying Agent or additional Paying Agents may be appointed at any time by the Institutional Trustee.

(j) Subject to this Section 3.8, the Institutional Trustee shall have none of the duties, liabilities, powers or the authority of the Regular Trustees set forth in Section 3.6.

The Institutional Trustee must exercise the powers set forth in

this Section 3.8 in a manner that is consistent with the purposes and functions of the Trust set out in Section 3.3, and the Institutional Trustee shall not take any action that is inconsistent with the purposes and functions of the Trust set out in Section 3.3.

SECTION 3.9 Certain Duties and Responsibilities.  
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(a) The Institutional Trustee, before the occurrence of any Event of Default and after the curing of all Events of Default that may have occurred, shall undertake to perform only such duties as are specifically set forth in this Declaration and in the terms of the Trust Securities and no implied covenants shall be read into this Declaration against the Institutional Trustee. In case an Event of Default has occurred (that has not been cured or waived), the Institutional Trustee shall exercise such of the rights and powers vesting in it by this Declaration, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

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

(i) prior to the occurrence of an Event of Default and after the curing or waiving of all such Events of Default that may have occurred:

(A) the duties and obligations of the Institutional Trustee shall be determined solely by the express provisions of this Declaration and in the terms of the Trust Securities, and the Institutional Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Declaration, and no implied covenants or obligations shall be read into this Declaration against the Institutional Trustee; and

(B) in the absence of bad faith on the part of the Institutional Trustee, the Institutional 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 Institutional Trustee and conforming to the requirements of this Declaration; provided, however, that in the case of any such certificates or opinions that by any provision hereof are specifically required to be furnished to the Institutional Trustee, the Institutional Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Declaration;

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

(iii) the Institutional 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 at least a Majority in liquidation amount of the outstanding Trust Securities relating to the time, method and place of conducting any proceeding for any remedy available to the Institutional Trustee or exercising any trust or power conferred upon the Institutional Trustee under this Declaration;

(iv) no provision of this Declaration shall require any of the Trustees to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it;

(v) the Institutional Trustee's sole duty with respect to the custody, safe keeping and physical preservation of the Trust Property shall be to deal with such property in a similar manner as the Institutional Trustee deals with similar property for its own account, subject to the protections and limitations on liability afforded to the Institutional Trustee under this Declaration, the Trust Indenture Act and, to the extent applicable, Rule 3a-7 under the Investment Company Act;

(vi) the Institutional Trustee shall have no duty or liability for, or with respect to the value, genuineness, existence or sufficiency of, the Trust Property or the payment of any taxes or assessments levied thereon or in connection therewith;

(vii) the Institutional Trustee shall not be liable for any interest on any money received by it except as it may otherwise agree with the Sponsor. Money held by the Institutional Trustee need not be segregated from other funds held by it except in relation to the Institutional Trustee Account established by the Institutional Trustee pursuant to this Declaration and except to the extent otherwise required by law; and

(viii) the Institutional Trustee shall not be responsible for monitoring the compliance by the Regular Trustees or the Sponsor with their respective duties under this Declaration, nor shall the Institutional Trustee be liable for the default or misconduct of the Regular Trustees or the Sponsor.

(c) All payments made by the Institutional Trustee or a Paying Agent in respect of the Trust Securities shall be made only from the income and proceeds from the Trust Property to enable the Institutional Trustee or Paying Agent to make payments in accordance with the terms hereof. Each Holder, by its acceptance of a Trust Security, agrees that it will look solely to the income and proceeds from the Trust Property to the extent available for distribution to it as herein provided and that the Trustees are not personally liable to it for any amount distributable in respect of any Trust Security or for any other liability in respect of any Trust Security. This Section 3.9(c) does not limit the liability of the Trustees expressly set forth elsewhere in this Declaration or, in the case of the Institutional Trustee, in the Trust Indenture Act.

(d) No Regular Trustee shall be liable for any act or omission to act hereunder, except for its own gross negligence or wilful misconduct.

#### SECTION 3.10 Certain Rights of Institutional Trustee.

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Subject to the provisions of Section 3.9 and to the applicable provisions of the Trust Indenture Act:

(a) the Institutional Trustee may rely and shall be protected in acting or refraining from acting in good faith upon any resolution, opinion of counsel, certificate, written representation of a Holder or transferee, certificate of auditors or any other certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, appraisal, bond, debenture, note, other evidence of indebtedness or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) if (A) in performing its duties under this Declaration the Institutional Trustee is required to decide between alternative courses of action or (B) in construing any of the provisions in this Declaration the Institutional Trustee finds the same ambiguous or inconsistent with any other provisions contained herein or (C) the Institutional Trustee is unsure of the application of any provision of this Declaration, then, except as to any matter as to which the Holders of Securities are entitled to vote under the terms of this Declaration, the Institutional Trustee shall deliver a notice to the Sponsor requesting written instructions of the Sponsor as to the course of action to be taken. The Institutional Trustee shall take such action, or refrain from taking such action, as the Institutional Trustee shall be instructed in writing to take, or to refrain from taking, by the Sponsor; provided, however, that if the Institutional Trustee does not receive such instructions of the Sponsor within 10 Business Days after it has delivered such notice, or such reasonably shorter period of time set forth in such notice (which to the extent practicable shall not be less than 2 Business Days), it may, but shall be under no duty to, take or refrain from taking such action not inconsistent with this Declaration as it shall deem advisable and in the best interests of the Holders, in which event the Institutional Trustee shall have no liability except for its own bad faith, negligence or wilful misconduct;

(c) whenever in the administration of this Declaration the Institutional Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Institutional Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part,

request and rely upon an Officer's Certificate;

(d) the Institutional Trustee may consult with counsel of its selection, and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Institutional Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Declaration at the request or direction of any of the Holders pursuant to this Declaration, unless such Holders shall have offered to the Institutional Trustee reasonable security or indemnity against the costs, expenses (including reasonable attorneys' fees and expenses) and liabilities which might be incurred by it in complying with such request or direction;

(f) the Institutional 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, approval, bond, debenture, note or other evidence of indebtedness or other paper or document reasonably believed by it to be genuine, unless requested in writing to do so by one or more Holders, but the Institutional Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit;

(g) the Institutional Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through its agents or attorneys, and the Institutional Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder; provided, however, that the Institutional Trustee shall be responsible for its own negligence or recklessness with respect to selection of any agent or attorney appointed by it hereunder;

(h) the Institutional 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 Declaration;

(i) the Institutional Trustee shall not be charged with knowledge of any default or Event of Default with respect to the Trust Securities unless either (A) a Responsible Officer of the Institutional Trustee shall have actual knowledge of the default or Event of Default or (B) written notice of such default or Event of Default shall have been given to the Institutional Trustee by the Sponsor, the Regular Trustees or any Holder;

(j) no provision of this Declaration shall be deemed to impose any duty or obligation on the Institutional Trustee to perform any act or acts or exercise any right, power, duty or obligation conferred or imposed on it in any jurisdiction in which it shall be illegal, or in which the Institutional Trustee shall be unqualified or incompetent in accordance with applicable law, to perform any such act or acts or to exercise any such right, power, duty or obligation; and no permissive or discretionary power or authority available to the Institutional Trustee shall be construed to be a duty;

(k) no provision of this Declaration shall require the Institutional Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if the Institutional Trustee shall have reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to it under the terms of this Declaration or adequate indemnity against such risk or liability is not reasonably assured to it;

(l) the Institutional Trustee shall have no duty to see to any recording, filing or registration of any instrument (including any financing or continuation statement or any securities) (or any rerecording, refiling or reregistration thereof);

(m) the Institutional Trustee shall have the right at any time to seek instructions concerning the administration of this Declaration from any court of competent jurisdiction; and

(n) whenever in the administration of this Declaration the Institutional Trustee shall deem it desirable to receive instructions with respect to enforcing any remedy or right or taking any other action hereunder, the Institutional Trustee (A) may request

instructions from the Holders, which instructions may only be given by the Holders of the same amount of the Trust Securities as would be entitled to direct the Institutional Trustee under the terms of this Declaration in respect of such remedies, rights or actions, (B) may refrain from enforcing such remedy or right or taking such other action until such instructions are received, and (C) shall be protected in acting in accordance with such instructions.

SECTION 3.11 Delaware Trustee.  
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Notwithstanding any other provision of this Declaration other than Section 5.2, the Delaware Trustee shall not be entitled to exercise any powers, nor shall the Delaware Trustee have any of the duties and responsibilities of the Regular Trustees or the Institutional Trustee described in this Declaration. Except as set forth in Section 5.2, the Delaware Trustee shall be a trustee for the sole and limited purpose of fulfilling the requirements of Section 3807 of the Business Trust Act.

SECTION 3.12 Execution of Documents.  
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Unless otherwise determined by the Regular Trustees, and except as otherwise required by the Business Trust Act, a majority of or, if there are only two, any Regular Trustee or, if there is only one, such Regular Trustee is authorized to execute on behalf of the Trust any documents that the Regular Trustees have the power and authority to execute pursuant to Section 3.6; provided that, the registration statement referred to in

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Section 3.6(b)(i), including any amendments thereto, shall be signed by all of the Regular Trustees.

SECTION 3.13 Not Responsible for Recitals or Issuance of Trust  
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Securities.  
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The recitals contained in this Declaration and the Securities shall be taken as the statements of the Sponsor, and the Trustees do not assume any responsibility for their correctness. The Trustees make no representations as to the value or condition of the property of the Trust or any part thereof. The Trustees make no representations as to the validity or sufficiency of this Declaration or the Trust Securities.

SECTION 3.14 Duration of Trust.  
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The Trust, unless terminated pursuant to the provisions of Article VIII hereof, shall have existence for forty-five (45) years from the Closing Date.

SECTION 3.15 Mergers.  
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(a) The Trust may not merge, consolidate or amalgamate with or into, or enter into any other business combination with, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to any corporation or other body, except as described in Section 3.15(b) and (c).

(b) The Trust may, with the consent of the Regular Trustees or, if there are more than two, a majority of the Regular Trustees and without the consent of the Holders of the Trust Securities, the Delaware Trustee or the Institutional Trustee, merge, consolidate or amalgamate with or into, or enter into any other business combination with, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to, a trust organized as such under the laws of any state; provided, however, that:

(i) such successor entity (the "Successor Entity") either:

(A) expressly assumes all of the obligations of the Trust under the Trust Securities; or

(B) substitutes for the Trust Securities other securities having substantially the same terms as the Securities (the "Successor Securities") so long as the Successor Securities rank the same as the Securities rank with respect to Distributions and



payments upon liquidation, redemption and otherwise;

(ii) the Debenture Issuer expressly appoints a trustee of the Successor Entity that possesses the same powers and duties as the Institutional Trustee as the Holder of the Debentures;

(iii) the Securities or any Successor Securities are listed, or any Successor Securities will be listed upon notification of issuance, on any national securities exchange or with another organization on which the Securities are then listed or quoted, if any;

(iv) such merger, consolidation, amalgamation, other business combination, replacement, conveyance, transfer or lease does not cause the Securities (including any Successor Securities) to be downgraded by any nationally recognized statistical rating organization within the meaning of Rule 436(g)(12) under the Securities Act or any successor rule or regulation;

(v) such merger, consolidation, amalgamation, other business combination, replacement, conveyance, transfer or lease does not adversely affect the rights, preferences and privileges of the Holders of the Trust Securities (including any Successor Securities) in any material respect (other than with respect to any dilution of such Holders' interests in the Securities as a result of such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease);

(vi) such Successor Entity has a purpose identical to that of the Trust;

(vii) prior to such merger, consolidation, amalgamation, other business combination, replacement, conveyance, transfer or lease, the Sponsor has received an opinion of counsel to the effect that:

(A) such merger, consolidation, amalgamation, replacement, conveyance, transfer or lease does not adversely affect the rights, preferences and privileges of the Holders of the Trust Securities (including any Successor Securities) in any material respect (other than with respect to any dilution of the Holders' interest in the new entity);

(B) following such merger, consolidation, amalgamation, other business combination, replacement, conveyance, transfer or lease, neither the Trust nor the Successor Entity will be required to register as an Investment Company; and

(C) following such merger, consolidation, amalgamation, other business combination, replacement, conveyance, transfer or lease the Trust (or the Successor Entity) will continue not to be treated as an association taxable as a corporation for United States federal income tax purposes; and

(viii) the Sponsor or any permitted successor guarantees the obligations of such Successor Entity under the Successor Securities at least to the extent provided by the Securities Guarantee.

(c) Notwithstanding Section 3.15(b), the Trust shall not, except with the consent of Holders of 100% in liquidation amount of the Trust Securities, merge, consolidate or amalgamate with or into, enter into any other business combination with or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to, any other entity or permit any other entity to merge, consolidate or amalgamate, merge with or into, enter into any other business combination with or replace it if such merger, consolidation, amalgamation, other business combination, replacement, conveyance, transfer or lease would cause the Trust or Successor Entity to be treated as an association taxable as a corporation for United States federal income tax purposes.

#### ARTICLE IV SPONSOR

##### SECTION 4.1 Sponsor's Purchase of Common Securities.

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On the Closing Date the Sponsor will purchase all of the Common Securities issued by the Trust, in an amount at least equal to 3% of the capital of the Trust, at the same time as the Securities are sold.

##### SECTION 4.2 Responsibilities of the Sponsor.

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In connection with the issuance and sale of the Securities, the Sponsor shall have the exclusive right and responsibility to engage in the following activities:

(a) to prepare for filing by the Trust with the Commission a registration statement on Form S-3 in relation to the Securities, including any amendments thereto;

(b) to determine the states in which to take appropriate action to qualify or register for sale all or part of the Securities and to do any and all such acts, other than actions which must be taken by the Trust, and advise the Trust of actions it must take, and prepare for execution and filing any documents to be executed and filed by the Trust, as the Sponsor deems necessary or advisable in order to comply with the applicable laws of any such states;

(c) to prepare for filing by the Trust an application to the New York Stock Exchange or any other national stock exchange or the Nasdaq National Market for listing upon notice of issuance of any Securities;

(d) to prepare for filing by the Trust with the Commission a registration statement on Form 8-A relating to the registration of the Securities under Section 12(b) of the Exchange Act, including any amendments thereto; and

(e) to negotiate the terms of the Underwriting Agreement providing for the sale of the Securities.

ARTICLE V  
TRUSTEES

SECTION 5.1      Number of Trustees.  
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The number of Trustees initially shall be three (3), and:

(a) at any time before the issuance of any Securities, the Sponsor may, by written instrument, increase or decrease the number of Trustees; and

(b) after the issuance of any Trust Securities, the number of Trustees may be increased or decreased by vote of the Holders of a majority in liquidation amount of the Common Securities voting as a class at a meeting of the Holders of the Common Securities; provided, however, that the number of Trustees shall in no event be less than two (2); and provided, further, that, (1) there shall be at least one Trustee who is an employee or officer of, or is affiliated with the Sponsor (a "Regular Trustee"); (2) one Trustee shall be the Institutional Trustee for so long as this Declaration is required to qualify as an indenture under the Trust Indenture Act, and such Trustee may also serve as Delaware Trustee if it meets the applicable requirements; and (3) there shall be a Delaware Trustee to the extent required under Section 5.2.

SECTION 5.2      Delaware Trustee.  
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If required by the Business Trust Act, one Trustee (the "Delaware Trustee") shall be:

(a) a natural person who is a resident of the state of Delaware; or

(b) if not a natural person, an entity which has its principal place of business in the State of Delaware, and otherwise meets the requirements of applicable law;

provided, however, that if the Institutional Trustee has its principal place of business in the State of Delaware and otherwise meets the requirements of applicable law, then the Institutional Trustee may also be the Delaware Trustee and Section 3.11 shall have no application.

SECTION 5.3      Institutional Trustee; Eligibility.  
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(a) There shall at all times be one Trustee which shall act as

"Institutional Trustee" which shall be:

(i) not an Affiliate of the Sponsor; and

(ii) a corporation organized and doing business under the laws of the United States, any state or territory thereof or the District of Columbia, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000) and subject to supervision or examination by federal, state, territorial or District of Columbia authority, or

(iii) if and to the extent permitted by the Commission by rule, regulation or order upon application, a corporation or other Person organized and doing business under the laws of a foreign government, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000) or the United States Dollar equivalent of the applicable foreign currency and subject to supervision or examination by authority of such foreign government or a political subdivision thereof substantially equivalent to supervision or examination applicable to United States institutional trustees,

and, in either case, qualified and eligible under this Article and the Trust Indenture Act. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of such supervising or examining authority, then for the purposes of this Section, 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.

(b) If at any time the Institutional Trustee shall cease to be eligible to so act under Section 5.3(a), the Institutional Trustee shall immediately resign in the manner and with the effect set forth in Section 5.7(c).

(c) If the Institutional Trustee has or shall acquire any "conflicting interest" within the meaning of Section 310(b) of the Trust Indenture Act, the Institutional Trustee and the Holder of the Common Securities (as if it were the obligor referred to in Section 310(b) of the Trust Indenture Act) shall in all respects comply with the provisions of Section 310(b) of the Trust Indenture Act.

(d) The Securities Guarantee shall be deemed to be specifically described in this Declaration for purposes of clause (i) of the first provision contained in Section 310(b) of the Trust Indenture Act.

(e) The initial Institutional Trustee shall be:

Wilmington Trust Company.

SECTION 5.4 Certain Qualifications of Regular Trustees and Delaware Trustee Generally.  
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Each Regular Trustee and the Delaware Trustee (unless the Institutional Trustee also acts as Delaware Trustee) shall be either a natural person who is at least 21 years of age or a legal entity that shall act through one or more Authorized Officers.

SECTION 5.5 Regular Trustees.  
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The initial Regular Trustees shall be:

Lawrence J. Pierce  
Dorothy K. Mercer.

(a) Except as expressly set forth in this Declaration and except if a meeting of the Regular Trustees is called with respect to any matter over which the Regular Trustees have power to act, any power of the Regular Trustees may be exercised by, or with the consent of, any one such Regular Trustee.

(b) Unless otherwise determined by the Regular Trustees, and except as otherwise required by the Business Trust Act or applicable law, any Regular Trustee is authorized to execute on behalf of the Trust any documents which the Regular Trustees have the power and authority to cause the Trust to execute pursuant to Section 3.6, provided, however, that the registration statement referred to in Section 3.6, including any amendments

thereto, shall be signed by all of the Regular Trustees.

(c) A Regular Trustee may, by power of attorney consistent with applicable law, delegate to any other natural person over the age of 21 his or her power for the purposes of signing any documents which the Regular Trustees have power and authority to cause the Trust to execute pursuant to Section 3.6.

SECTION 5.6 Delaware Trustee.  
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The initial Delaware Trustee shall be:

Wilmington Trust Company.

SECTION 5.7 Appointment, Removal and Resignation of Trustees.  
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(a) Subject to Section 5.7(b), Trustees may be appointed or removed without cause at any time except during an Event of Default:

(i) until the issuance of any Securities, by written instrument executed by the Sponsor; and

(ii) after the issuance of any Securities, by vote of the Holders of a Majority in liquidation amount of the Common Securities voting as a class at a meeting of the Holders of the Common Securities.

(b) (i) The Institutional Trustee shall not be removed in accordance with Section 5.7(a) until a Successor Institutional Trustee has been appointed and has accepted such appointment by written instrument executed by such Successor Institutional Trustee and delivered to the Regular Trustees and the Sponsor; and

(ii) the Delaware Trustee shall not be removed in accordance with this Section 5.7(a) until a successor Trustee possessing the qualifications to act as Delaware Trustee under Sections 5.2 and 5.4 (a "Successor Delaware Trustee") has been appointed and has accepted such appointment by written instrument executed by such Successor Delaware Trustee and delivered to the Regular Trustees and the Sponsor.

(c) A Trustee appointed to office shall hold office until his successor shall have been appointed or until his death, removal or resignation. Any Trustee may resign from office (without need for prior or subsequent accounting) by an instrument in writing signed by the Trustee and delivered to the Sponsor and the Trust, which resignation shall take effect upon such delivery or upon such later date as is specified therein; provided, however, that:

(i) no such resignation of the Institutional Trustee shall be effective:

(A) until a Successor Institutional Trustee has been appointed and has accepted such appointment by instrument executed by such Successor Institutional Trustee and delivered to the Trust, the Sponsor and the resigning Institutional Trustee; or

(B) until the assets of the Trust have been completely liquidated and the proceeds thereof distributed to the holders of the Trust Securities; and

(ii) no such resignation of the Delaware Trustee shall be effective until a Successor Delaware Trustee has been appointed and has accepted such appointment by instrument executed by such Successor Delaware Trustee and delivered to the Trust, the Sponsor and the resigning Delaware Trustee.

(d) The Holders of the Common Securities shall use all reasonable efforts to promptly appoint a Successor Delaware Trustee or Successor Institutional Trustee as the case may be if the Institutional Trustee or the Delaware Trustee delivers an instrument of resignation in accordance with this Section 5.7.

(e) If no Successor Institutional Trustee or Successor Delaware Trustee shall have been appointed and accepted appointment as provided in this Section 5.7 within 60 days after delivery of an instrument of resignation or removal, the Institutional Trustee or Delaware Trustee resigning or being removed, as applicable, may petition any court of

competent jurisdiction for appointment of a Successor Institutional Trustee or Successor Delaware Trustee. Such court may thereupon, after prescribing such notice, if any, as it may deem proper and prescribe, appoint a Successor Institutional Trustee or Successor Delaware Trustee, as the case may be.

(f) No Institutional Trustee or Delaware Trustee shall be liable for the acts or omissions to act of any Successor Institutional Trustee or Successor Delaware Trustee, as the case may be.

SECTION 5.8 Vacancies among Trustees.  
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If a Trustee ceases to hold office for any reason and the number of Trustees is not reduced pursuant to Section 5.1, or if the number of Trustees is increased pursuant to Section 5.1, a vacancy shall occur. A resolution certifying the existence of such vacancy by the Regular Trustees or, if there are more than two, a majority of the Regular Trustees shall be conclusive evidence of the existence of such vacancy. The vacancy shall be filled with a Trustee appointed in accordance with Section 5.7.

SECTION 5.9 Effect of Vacancies.  
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The death, resignation, retirement, removal, bankruptcy, dissolution, liquidation, incompetence or incapacity to perform the duties of a Trustee shall not operate to annul the Trust. Whenever a vacancy in the number of Regular Trustees shall occur, until such vacancy is filled by the appointment of Regular Trustee in accordance with Section 5.7, the Regular Trustees in office, regardless of their number, shall have all the powers granted to the Regular Trustees and shall discharge all the duties imposed upon the Regular Trustees by this Declaration.

SECTION 5.10 Meetings.  
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If there is more than one Regular Trustee, meetings of the Regular Trustees shall be held from time to time upon the call of any Regular Trustee. Regular meetings of the Regular Trustees may be held at a time and place fixed by resolution of the Regular Trustees. Notice of any in-person meetings of the Regular Trustees shall be hand delivered or otherwise delivered in writing (including by facsimile, with a hard copy by overnight courier) not less than 48 hours before such meeting. Notice of any telephonic meetings of the Regular Trustees or any committee thereof shall be hand delivered or otherwise delivered in writing (including by facsimile, with a hard copy by overnight courier) not less than 24 hours before a meeting. Notices shall contain a brief statement of the time, place and anticipated purposes of the meeting. The presence (whether in person or by telephone) of a Regular Trustee at a meeting shall constitute a waiver of notice of such meeting except where a Regular Trustee attends a meeting for the express purpose of objecting to the transaction of any activity on the ground that the meeting has not been lawfully called or convened. Unless provided otherwise in this Declaration, any action of the Regular Trustees may be taken at a meeting by vote of a majority of the Regular Trustees present (whether in person or by telephone) and eligible to vote with respect to such matter, provided that a Quorum is present, or without a meeting by the unanimous written consent of the Regular Trustees. In the event there is only one Regular Trustee, any and all action of such Regular Trustee shall be evidenced by a written consent of such Regular Trustee.

SECTION 5.11 Delegation of Power.  
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(a) Any Regular Trustee may, by power of attorney consistent with applicable law, delegate to any other natural person over the age of 21 his or her power for the purpose of executing any documents contemplated in Section 3.6, including any registration statement or amendment thereto filed with the Commission, or making any other governmental filing; and

(b) the Regular Trustees shall have power to delegate from time to time to such of their number or to officers of the Trust the doing of such things and the execution of such instruments either in the name of the Trust or the names of the Regular Trustees or otherwise as the Regular Trustees may deem expedient, to the extent such delegation is not prohibited by applicable law or contrary to the provisions of the Trust, as set forth herein.

Section 5.12 Merger, Conversion, Consolidation or Succession to  
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Business.

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

ARTICLE VI  
DISTRIBUTIONS

SECTION 6.1 Distributions.  
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Holders shall receive Distributions (as defined herein) in accordance with the applicable terms of the Trust Securities. Distributions shall be made on the Securities and the Common Securities in accordance with the preferences set forth in their respective terms. If and to the extent that the Debenture Issuer makes a payment of interest (including Compounded Interest (as defined in the Indenture) and Additional Interest (as defined in the Indenture)), premium and/or principal on the Debentures held by the Institutional Trustee (the amount of any such payment being a "Payment Amount"), the Institutional Trustee shall and is directed, to the extent funds are available for that purpose, to make a distribution (a "Distribution") of the Payment Amount to Holders.

ARTICLE VII  
ISSUANCE OF SECURITIES

SECTION 7.1 General Provisions Regarding Trust Securities.  
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(a) The Regular Trustees shall on behalf of the Trust issue one class of securities representing undivided beneficial interests in the assets of the Trust having such terms as are set forth in Annex I (the "Securities") and one class of common securities representing undivided beneficial interests in the assets of the Trust having such terms as are set forth in Annex I (the "Common Securities"). The Trust shall issue no securities or other interests in the assets of the Trust other than the Securities and the Common Securities.

(b) The Certificates shall be signed on behalf of the Trust by a Regular Trustee. Such signature shall be the manual or facsimile signature of any present or any future Regular Trustee. In case any Regular Trustee of the Trust who shall have signed any of the Trust Securities shall cease to be such Regular Trustee before the Certificates so signed shall be delivered by the Trust, such Certificates nevertheless may be delivered as though the person who signed such Certificates had not ceased to be such Regular Trustee; and any Certificate may be signed on behalf of the Trust by such persons who, at the actual date of execution of such Trust Security, shall be the Regular Trustees of the Trust, although at the date of the execution and delivery of the Declaration any such person was not such a Regular Trustee. Certificates shall be printed, lithographed or engraved or may be produced in any other manner as is reasonably acceptable to the Regular Trustees, as evidenced by their execution thereof, and may have such letters, numbers or other marks of identification or designation and such legends or endorsements as the Regular Trustees may deem appropriate, or as may be required to comply with any law or with any rule or regulation of any stock exchange on which Trust Securities may be listed, or to conform to usage.

(c) The consideration received by the Trust for the issuance of the Trust Securities shall constitute a contribution to the capital of the Trust and shall not constitute a loan to the Trust.

(d) Upon issuance of the Trust Securities as provided in this Declaration and the receipt of the consideration to be received therefor, the Trust Securities so issued shall be deemed to be validly issued, fully paid and non-assessable.

(e) Every Person, by virtue of having become a Holder or a Security Beneficial Owner in accordance with the terms of this Declaration,

shall be deemed to have expressly assented and agreed to the terms of, and shall be bound by, this Declaration.

SECTION 7.2      Paying Agent.  
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The Trust shall appoint a paying agent (the "Paying Agent") and may appoint one or more additional paying agents in such other locations as it shall determine. The term "Paying Agent" includes any additional paying agent. The Trust may change any Paying Agent without prior notice to any Holder. The Trust shall notify the Institutional Trustee of the name and address of any Agent not a party to this Declaration. If the Trust fails to appoint or maintain another entity as Paying Agent, the Institutional Trustee shall act as such. The Trust or any of its Affiliates may act as Paying Agent. Wilmington Trust Company shall initially act as Paying Agent for the Securities and the Common Securities.

ARTICLE VIII  
TERMINATION OF TRUST

SECTION 8.1      Termination of Trust.  
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(a) The Trust shall terminate:

(i) upon the occurrence of an Event of Default described in clause (d) or (e) of Section 701 of the Indenture;

(ii) upon the filing of a certificate of dissolution or its equivalent with respect to the Sponsor; the filing of a certificate of cancellation with respect to the Trust after having obtained the consent of a majority in liquidation amount of the Trust Securities voting together as a single class to file such certificate of cancellation; or the revocation of the Sponsor's charter and the expiration of 90 days after the date of revocation without a reinstatement thereof;

(iii) upon the entry of a decree of judicial dissolution of the Holder of the Common Securities, the Sponsor or the Trust;

(iv) when all of the Trust Securities shall have been called for redemption and the amounts necessary for redemption thereof shall have been paid to the Holders in accordance with the terms of the Trust Securities;

(v) upon the occurrence and continuation of a Tax Event in connection with which the Trust shall have been dissolved in accordance with the terms of the Trust Securities and all of the Debentures endorsed thereon shall have been distributed to the Holders of Securities in exchange for all of the Trust Securities; or

(vi) before the issuance of any Trust Securities, with the consent of all of the Regular Trustees and the Sponsor.

(b) As soon as is practicable after the occurrence of an event referred to in Section 8.1(a), the Trustees shall file a certificate of cancellation with the Secretary of State of the State of Delaware.

(c) The provisions of Section 3.9 and Article X shall survive the termination of the Trust except as contemplated in Section 1005 of the Indenture.

ARTICLE IX  
TRANSFER OF INTERESTS

SECTION 9.1      Transfer of Trust Securities.  
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(a) Trust Securities may only be transferred, in whole or in part, in accordance with the terms and conditions set forth in this Declaration and in the terms of the Trust Securities. Any transfer or purported transfer of any Trust Security not made in accordance with this Declaration shall be null and void.

(b) Subject to this Article IX, Securities shall be freely transferable.

(c) The Securities are to be initially registered in the name

of Cede & Co., as nominee for The Depository Trust Company (the "Depository") and the Security Certificates so initially registered shall bear such legends as required by the Depository. Such Securities shall not be transferable or exchangeable, nor shall any purported transfer be registered, except as follows:

(i) such Securities may be transferred in whole, and appropriate registration of transfer effected, if such transfer is by such nominee to the Depository, or by the Depository to another nominee thereof, or by any nominee of the Depository to any other nominee thereof, or by the Depository or any nominee thereof to any successor securities depository or any nominee thereof; and

(ii) such Securities shall be exchanged for Securities Certificates registered in the respective names of the beneficial holders thereof, and thereafter shall be transferable without restriction, if:

(A) the Depository, or any successor securities depository, shall have notified the Company and the Institutional Trustee that it is unwilling or unable to continue to act as securities depository with respect to such Securities and the Institutional Trustee shall not have been notified by the Company within ninety (90) days of the identity of a successor securities depository with respect to such Securities;

(B) the Company shall have delivered to the Institutional Trustee an Officer's Certificate to the effect that such Securities shall be so exchangeable on and after a date specified therein; or

(C) (1) an Event of Default shall have occurred and be continuing, (2) the Institutional Trustee shall have given notice of such Event of Default pursuant to Section 2.7 of this Declaration and (3) there shall have been delivered to the Company and the Institutional Trustee an opinion of counsel to the effect that the interests of the beneficial owners of such Securities in respect thereof will be materially impaired unless such owners become Holders of Securities Certificates.

(d) The Sponsor shall maintain 100% direct ownership of the Common Securities by the Sponsor or any Affiliate thereof, except as otherwise provided in Section 1005 of the Indenture.

#### SECTION 9.2      Transfer of Certificates.

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The Regular Trustees shall provide for the registration of Certificates and of transfers of Certificates, which will be effected without charge but only upon payment (with such indemnity as the Regular Trustees may reasonably require) in respect of any documentary stamp tax or other similar governmental charges that may be imposed in relation to it. Upon surrender for registration of transfer of any Certificate, the Regular Trustees shall cause one or more new Certificates to be issued in the name of the designated transferee or transferees. Every Certificate surrendered for registration of transfer shall be accompanied by a written instrument of transfer in form satisfactory to the Regular Trustees duly executed by the Holder or such Holder's attorney duly authorized in writing. Each Certificate surrendered for registration of transfer shall be canceled by the Regular Trustees. A transferee of a Certificate shall be entitled to the rights and be subject to the obligations of a Holder hereunder upon the receipt by such transferee of a Certificate. By acceptance of a Certificate, each transferee shall be deemed to have agreed to be bound by this Declaration.

#### SECTION 9.3      Deemed Trust Security Holders.

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The Trustees may treat the Person in whose name any Certificate shall be registered on the books and records of the Trust as the sole holder of such Certificate and of the Trust Securities represented by such Certificate for purposes of receiving Distributions and for all other purposes whatsoever and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such Certificate or in the Trust Securities represented by such Certificate on the part of any Person, whether or not the Trust shall have actual or other notice thereof.

#### SECTION 9.4      Security Certificates.

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(a) Security Certificates shall be prepared by the Regular Trustees on behalf of the Trust with respect to such Securities; and

(b) Security Certificates shall be printed, lithographed or engraved or may be produced in any other manner as is reasonably acceptable to the Regular Trustees, as evidenced by their execution thereof, and may have such letters, numbers or other marks of identification or designation and such legends or endorsements as the Regular Trustees may deem appropriate, or as may be required to comply with any law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which Securities may be listed, or to conform to usage.

SECTION 9.5 Mutilated, Destroyed, Lost or Stolen Certificates.  
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If:

(a) any mutilated Certificates should be surrendered to the Regular Trustees, or if the Regular Trustees shall receive evidence to their satisfaction of the destruction, loss or theft of any Certificate; and

(b) there shall be delivered to the Regular Trustees such security or indemnity as may be required by them to keep each of them harmless,

then, in the absence of notice that such Certificate shall have been acquired by a person purporting to be a bona fide purchaser, any Regular Trustee on behalf of the Trust shall execute and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Certificate, a new Certificate of like denomination. In connection with the issuance of any new Certificate under this Section 9.5, the Regular Trustees may require the payment of a sum sufficient to cover any documentary stamp tax or other similar governmental charge that may be imposed in connection therewith. Any duplicate Certificate issued pursuant to this Section shall constitute conclusive evidence of an ownership interest in the relevant Securities, as if originally issued, whether or not the lost, stolen or destroyed Certificate shall be found at any time.

ARTICLE X  
LIMITATION OF LIABILITY OF  
HOLDERS OF TRUST SECURITIES, TRUSTEES OR OTHERS

SECTION 10.1 Liability.  
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(a) Except as expressly set forth in this Declaration, the Guarantees and the terms of the Securities, the Sponsor shall not be:

(i) personally liable for the return of any portion of the capital contributions (or any return thereon) of the Holders of the Trust Securities which shall be made solely from assets of the Trust; or

(ii) required to pay to the Trust or to any Holder of Trust Securities any deficit upon dissolution of the Trust or otherwise.

(b) The Sponsor shall be liable for all of the debts and obligations of the Trust (other than with respect to the Securities) to the extent not satisfied out of the Trust's assets.

(c) Pursuant to Section 3803(a) of the Business Trust Act, the Holders of the Securities shall be entitled to the same limitation of personal liability extended to stockholders of private corporations for profit organized under the General Corporation Law of the State of Delaware.

SECTION 10.2 Exculpation.  
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(a) No Indemnified Person shall be liable, responsible or accountable in damages or otherwise to the Trust or any Covered Person for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Indemnified Person in good faith on behalf of the Trust and in a manner such Indemnified Person reasonably believed to be within the scope of the authority conferred on such Indemnified Person by this Declaration or by law, except that an Indemnified Person shall be

liable for any such loss, damage or claim incurred by reason of such Indemnified Person's gross negligence or willful misconduct with respect to such acts or omissions.

(b) An Indemnified Person shall be fully protected in relying in good faith upon the records of the Trust and upon such information, opinions, reports or statements presented to the Trust by any Person as to matters the Indemnified Person reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Trust, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, profits, losses, or any other facts pertinent to the existence and amount of assets from which Distributions to Holders of Trust Securities might properly be paid.

SECTION 10.3     Fiduciary Duty.  
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(a) To the extent that, at law or in equity, an Indemnified Person has duties (including fiduciary duties) and liabilities relating thereto to the Trust or to any other Covered Person, an Indemnified Person acting under this Declaration shall not be liable to the Trust or to any other Covered Person for its good faith reliance on the provisions of this Declaration. The provisions of this Declaration, to the extent that they restrict the duties and liabilities of an Indemnified Person otherwise existing at law or in equity (other than the duties imposed on the Institutional Trustee under the Trust Indenture Act), are agreed by the parties hereto to replace such other duties and liabilities of such Indemnified Person.

(b) Unless otherwise expressly provided herein:

(i) whenever a conflict of interest exists or arises between any Covered Persons; or

(ii) whenever this Declaration or any other agreement contemplated herein or therein provides that an Indemnified Person shall act in a manner that is, or provides terms that are, fair and reasonable to the Trust or any Holder of Trust Securities,

the Indemnified Person shall resolve such conflict of interest, take such action or provide such terms, considering in each case the relative interest of each party (including its own interest) to such conflict, agreement, transaction or situation and the benefits and burdens relating to such interests, any customary or accepted industry practices, and any applicable generally accepted accounting practices or principles. In the absence of bad faith by the Indemnified Person, the resolution, action or term so made, taken or provided by the Indemnified Person shall not constitute a breach of this Declaration or any other agreement contemplated herein or of any duty or obligation of the Indemnified Person at law or in equity or otherwise.

(c) Whenever in this Declaration an Indemnified Person is permitted or required to make a decision:

(i) in its "discretion" or under a grant of similar authority, the Indemnified Person shall be entitled to consider such interests and factors as it desires, including its own interests, and shall have no duty or obligation to give any consideration to any interest of or factors affecting the Trust or any other Person; or

(ii) in its "good faith" or under another express standard, the Indemnified Person shall act under such express standard and shall not be subject to any other or different standard imposed by this Declaration or by applicable law.

SECTION 10.4     Indemnification.  
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(a) (i) The Sponsor shall indemnify, to the full extent permitted by law, any Company Indemnified Person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Trust) by reason of the fact that he is or was a Company Indemnified Person against expenses (including attorneys' fees and expenses), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Trust,

and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the Company Indemnified Person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Trust, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

(ii) The Sponsor shall indemnify, to the full extent permitted by law, any Company Indemnified Person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Trust to procure a judgment in its favor by reason of the fact that he is or was a Company Indemnified Person against expenses (including attorneys' fees and expenses) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Trust and except that no such indemnification shall be made in respect of any claim, issue or matter as to which such Company Indemnified Person shall have been adjudged to be liable to the Trust unless and only to the extent that the Court of Chancery of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such Court of Chancery or such other court shall deem proper.

(iii) To the extent that a Company Indemnified Person shall be successful on the merits or otherwise (including dismissal of an action without prejudice or the settlement of an action without admission of liability) in defense of any action, suit or proceeding referred to in paragraphs (i) and (ii) of this Section 10.4(a), or in defense of any claim, issue or matter therein, he shall be indemnified, to the full extent permitted by law, against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

(iv) Any indemnification under paragraphs (i) and (ii) of this Section 10.4(a) (unless ordered by a court) shall be made by the Sponsor only as authorized in the specific case upon a determination that indemnification of the Company Indemnified Person is proper in the circumstances because he has met the applicable standard of conduct set forth in paragraphs (i) and (ii). Such determination shall be made (1) by the Regular Trustees by a majority vote of a quorum consisting of such Regular Trustees who were not parties to such action, suit or proceeding, (2) if such a quorum is not obtainable, or, even if obtainable, if a quorum of disinterested Regular Trustees so directs, by independent legal counsel in a written opinion, or (3) by the Holders of the Common Securities.

(v) Expenses (including attorneys' fees and expenses) incurred by a Company Indemnified Person in defending civil, criminal, administrative or investigative action, suit or proceeding referred to in paragraphs (i) and (ii) of this Section 10.4(a) shall be paid by the Sponsor in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf such Company Indemnified Person to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Sponsor as authorized in this Section 10.4(a). Notwithstanding the foregoing, no advance shall be made by the Debenture Issuer if a determination is reasonably and promptly made (i) by the Regular Trustees by a majority vote of a quorum of disinterested Regular Trustees, (ii) if such a quorum is not obtainable, or, even if obtainable, if a quorum of disinterested Regular Trustees so directs, by independent legal counsel in a written opinion or (iii) the Common Security Holder of the Trust, that, based upon the facts known to the Regular Trustees, counsel or the Common Security Holder at the time such determination is made, such Company Indemnified Person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the Trust, or, with respect to any criminal proceeding, that such Company Indemnified Person believed or had reasonable cause to believe his conduct was unlawful. In no event shall any advance be made in instances where the Regular Trustees, independent legal counsel or Holders of the Common Securities reasonably determine that such person deliberately breached his duty to the Trust or the Holders of the Securities.

(vi) The indemnification and advancement of expenses provided

by, or granted pursuant to, the other paragraphs of this Section 10.4(a) shall not be deemed exclusive of any other rights to which those seeking indemnification and advancement of expenses may be entitled under any agreement, vote of stockholders or disinterested directors of the Sponsor or vote of Holders of Securities or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office. All rights to indemnification under this Section 10.4(a) shall be deemed to be provided by a contract between the Sponsor and each Company Indemnified Person who serves in such capacity at any time while this Section 10.4(a) is in effect. Any repeal or modification of this Section 10.4(a) shall not affect any rights or obligations then existing.

(vii) The Sponsor or the Trust may purchase and maintain insurance on behalf of any person who is or was a Company Indemnified Person against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Sponsor would have the power to indemnify him against such liability under the provisions of this Section 10.4(a).

(viii) For purposes of this Section 10.4(a), references to "the Trust" shall include, in addition to the resulting or surviving entity, any constituent entity (including any constituent of a constituent) absorbed in a merger, consolidation, amalgamation or other business combination so that any person who is or was a director, trustee, officer or employee of such constituent entity, or is or was serving at the request of such constituent entity as a director, trustee, officer, employee or agent of another entity, shall stand in the same position under the provisions of this Section 10.4(a) with respect to the resulting or surviving entity as he would have with respect to such constituent entity if its separate existence had continued.

(ix) The indemnification and advancement of expenses provided by, or granted pursuant to, this Section 10.4(a) shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a Company Indemnified Person and shall inure to the benefit of the heirs, executors and administrators of such a person.

(b) The Sponsor agrees to indemnify the (i) Institutional Trustee, (ii) the Delaware Trustee, (iii) any Affiliate of the Institutional Trustee and the Delaware Trustee, and (iv) any officers, directors, shareholders, members, partners, employees, representatives, custodians, nominees or agents of the Institutional Trustee and the Delaware Trustee (each of the Persons in (i) through (iv) being referred to as a "Fiduciary Indemnified Person") for, and to hold each Fiduciary Indemnified Person harmless against, any and all loss, liability, damage, claim or expense including taxes (other than taxes based on the income of such Fiduciary Indemnified Person) incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration or the trust or trusts hereunder, including the costs and expenses (including reasonable legal fees and expenses) of defending itself against or investigating any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. The obligation to indemnify as set forth in this Section 10.4(b) shall survive the satisfaction and discharge of this Declaration.

#### SECTION 10.5     Outside Businesses.

Any Covered Person, the Sponsor, the Delaware Trustee and the Institutional Trustee may engage in or possess an interest in other business ventures of any nature or description, independently or with others, similar or dissimilar to the business of the Trust, and the Trust and the Holders of Securities shall have no rights by virtue of this Declaration in and to such independent ventures or the income or profits derived therefrom, and the pursuit of any such venture, even if competitive with the business of the Trust, shall not be deemed wrongful or improper. No Covered Person, the Sponsor, the Delaware Trustee, or the Institutional Trustee shall be obligated to present any particular investment or other opportunity to the Trust even if such opportunity is of a character that, if presented to the Trust, could be taken by the Trust, and any Covered Person, the Sponsor, the Delaware Trustee and the Institutional Trustee shall have the right to take for its own account (individually or as a partner or fiduciary) or to recommend to others any such particular investment or other opportunity. Any Covered Person, the Delaware Trustee and the Institutional Trustee may engage or be interested in any financial or other transaction with the Sponsor or any Affiliate of the Sponsor, or may act as depositary for, trustee or agent for, or act on any committee or

body of holders of, securities or other obligations of the Sponsor or its Affiliates.

ARTICLE XI  
ACCOUNTING

SECTION 11.1 Fiscal Year.  
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The fiscal year ("Fiscal Year") of the Trust shall be the calendar year, or such other year as is required by the Code.

SECTION 11.2 Certain Accounting Matters.  
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(a) At all times during the existence of the Trust, the Regular Trustees shall keep, or cause to be kept, full books of account, records and supporting documents, which shall reflect in reasonable detail, each transaction of the Trust. The books of account shall be maintained on the accrual method of accounting, in accordance with generally accepted accounting principles, consistently applied. The Trust shall use the accrual method of accounting for United States federal income tax purposes. The books of account and the records of the Trust shall be examined by and reported upon as of the end of each Fiscal Year of the Trust by a firm of independent certified public accountants selected by the Regular Trustees.

(b) The Regular Trustees shall cause to be prepared and delivered to each of the Holders of Trust Securities, within 90 days after the end of each Fiscal Year of the Trust, annual financial statements of the Trust, including a balance sheet of the Trust as of the end of such Fiscal Year, and the related statements of income or loss;

(c) The Regular Trustees shall cause to be duly prepared and delivered to each of the Holders of Trust Securities, any annual United States federal income tax information statement, required by the Code, containing such information with regard to the Trust Securities held by each Holder as is required by the Code and the Treasury Regulations. Notwithstanding any right under the Code to deliver any such statement at a later date, the Regular Trustees shall endeavor to deliver all such statements within 30 days after the end of each calendar year.

(d) The Regular Trustees shall cause to be duly prepared and filed with the appropriate taxing authority, an annual United States federal income tax return, on a Form 1041 or such other form required by United States federal income tax law, and any other annual income tax returns required to be filed by the Regular Trustees on behalf of the Trust with any state or local taxing authority.

SECTION 11.3 Banking.  
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The Trust shall maintain one or more bank accounts in the name and for the sole benefit of the Trust; provided, however, that all payments of funds in respect of the Debentures held by the Institutional Trustee shall be made directly to the Institutional Trustee Account and no other funds of the Trust shall be deposited in the Institutional Trustee Account. The sole signatories for such accounts shall be designated by the Regular Trustees; provided, however, that the Institutional Trustee shall designate the signatories for the Institutional Trustee Account.

SECTION 11.4 Withholding.  
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The Trust and the Regular Trustees shall comply with all withholding requirements under United States federal, state and local law. The Trust shall request, and the Holders shall provide to the Trust, such forms or certificates as are necessary to establish an exemption from withholding with respect to each Holder, and any representations and forms as shall reasonably be requested by the Trust to assist it in determining the extent of, and in fulfilling, its withholding obligations. The Regular Trustees shall file required forms with applicable jurisdictions and, unless an exemption from withholding is properly established by a Holder, shall remit amounts withheld with respect to the Holder to applicable jurisdictions. To the extent that the Trust is required to withhold and pay over any amounts to any authority with respect to distributions or allocations to any Holder, the amount withheld shall be deemed to be a distribution in the amount of the withholding to the Holder. In the event of any claimed over withholding, Holders shall be limited to an action against the applicable jurisdiction. If the amount required to be withheld was not withheld from actual Distributions made, the Trust may reduce

subsequent Distributions by the amount of such withholding.

ARTICLE XII  
AMENDMENTS AND MEETINGS

SECTION 12.1 Amendments.  
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(a) Except as otherwise provided in this Declaration or by any applicable terms of the Trust Securities, this Declaration may only be amended by a written instrument approved and executed by:

(i) the Regular Trustees (or, if there are more than two Regular Trustees a majority of the Regular Trustees);

(ii) if the amendment affects the rights, powers, duties, obligations or immunities of the Institutional Trustee, the Institutional Trustee; and

(iii) if the amendment affects the rights, powers, duties, obligations or immunities of the Delaware Trustee, the Delaware Trustee;

(b) no amendment shall be made, and any such purported amendment shall be void and ineffective:

(i) unless, in the case of any proposed amendment, the Institutional Trustee shall have first received an Officer's Certificate from each of the Trust and the Sponsor that such amendment is permitted by, and conforms to, the terms of this Declaration (including the terms of the Securities);

(ii) unless, in the case of any proposed amendment which affects the rights, powers, duties, obligations or immunities of the Institutional Trustee, the Institutional Trustee shall have first received:

(A) an Officer's Certificate from each of the Trust and the Sponsor that such amendment is permitted by, and conforms to, the terms of this Declaration (including the terms of the Trust Securities); and

(B) an opinion of counsel (who may be counsel to the Sponsor or the Trust) that such amendment is permitted by, and conforms to, the terms of this Declaration (including the terms of the Trust Securities); and

(iii) to the extent the result of such amendment would be to:

(A) cause the trust to be classified for purposes of United States federal income taxation as an association taxable as a corporation;

(B) reduce or otherwise adversely affect the powers of the Institutional Trustee in contravention of the Trust Indenture Act; or

(C) cause the Trust to be deemed to be an Investment Company required to be registered under the Investment Company Act;

(c) at such time after the Trust has issued any Trust Securities that remain outstanding, any amendment that would adversely affect the rights, privileges or preferences of any Holder of Trust Securities may be effected only with such additional requirements as may be set forth in the terms of such Trust Securities;

(d) Section 9.1(c) and this Section 12.1 shall not be amended without the consent of all of the Holders of the Trust Securities;

(e) Article IV shall not be amended without the consent of the Holders of a Majority in liquidation amount of the Common Securities and;

(f) the rights of the holders of the Common Securities under Article V to increase or decrease the number of, and appoint and remove Trustees shall not be amended without the consent of the Holders of a Majority in liquidation amount of the Common Securities; and

(g) notwithstanding Section 12.1(c), this Declaration may be amended without the consent of the Holders of the Trust Securities to:

- (i) cure any ambiguity;
- (ii) correct or supplement any provision in this Declaration that may be defective or inconsistent with any other provision of this Declaration;
- (iii) add to the covenants, restrictions or obligations of the Sponsor;
- (iv) conform to any change in Rule 3a-5 or written change in interpretation or application of Rule 3a-5 by any legislative body, court, government agency or regulatory authority which amendment does not have a material adverse effect on the right, preferences or privileges of the Holders; and
- (v) modify, eliminate and/or add any provision of, from or to this Declaration in any other respect so long as such modification, elimination or addition shall not adversely affect the interests of the Holders of Securities in any material respect.

SECTION 12.2 Meetings of the Holders of Trust Securities;  
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 Action by Written Consent.  
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(a) Meetings of the Holders of any class of Trust Securities may be called at any time by the Regular Trustees (or as provided in the terms of the Trust Securities) to consider and act on any matter on which Holders of such class of Trust Securities are entitled to act under the terms of this Declaration, the terms of the Trust Securities or the rules of any stock exchange on which the Securities are listed or admitted for trading. The Regular Trustees shall call a meeting of the Holders of such class if directed to do so by the Holders of at least 33% in liquidation amount of such class of Trust Securities. Such direction shall be given by delivering to the Regular Trustees one or more calls in a writing stating that the signing Holders of Trust Securities wish to call a meeting and indicating the general or specific purpose for which the meeting is to be called. Any Holders of Trust Securities calling a meeting shall specify in writing the Trust Security Certificates held by the Holders of Trust Securities exercising the right to call a meeting and only those Trust Securities specified shall be counted for purposes of determining whether the required percentage set forth in the second sentence of this paragraph has been met.

(b) Except to the extent otherwise provided in the terms of the Trust Securities, the following provisions shall apply to meetings of Holders of Trust Securities:

(i) notice of any such meeting shall be given to all the Holders of Trust Securities having a right to vote thereat at least 21 days and not more than 18 days before the date of such meeting. Whenever a vote, consent or approval of the Holders of Trust Securities is permitted or required under this Declaration or the rules of any stock exchange on which the Securities are listed or admitted for trading, such vote, consent or approval may be given at a meeting of the Holders of Trust Securities. Any action that may be taken at a meeting of the Holders of Trust Securities may be taken without a meeting if a consent in writing setting forth the action so taken is signed by the Holders of Trust Securities owning not less than the minimum amount in liquidation amount that would be necessary to authorize or take such action at a meeting at which all Holders of Trust Securities having a right to vote thereon were present and voting. Prompt notice of the taking of action without a meeting shall be given to the Holders of Trust Securities entitled to vote who have not consented in writing. The Regular Trustees may specify that any written ballot submitted to the Trust Security Holder for the purpose of taking any action without a meeting shall be returned to the Trust within the time specified by the Regular Trustees;

(ii) each Holder of a Trust Security may authorize any Person to act for it by proxy on all matters in which a Holder of Trust Securities is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting. No proxy shall be valid after the expiration of 11 months from the date thereof unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the Holder of Trust Securities executing it. Except as otherwise provided herein, all matters relating to the giving, voting or validity of proxies shall be governed by the General

Corporation Law of the State of Delaware relating to proxies, and judicial interpretations thereunder, as if the Trust were a Delaware corporation and the Holders of the Trust Securities were stockholders of a Delaware corporation;

(iii) each meeting of the Holders of the Trust Securities shall be conducted by the Regular Trustees or by such other Person that the Regular Trustees may designate; and

(iv) unless the Business Trust Act, this Declaration, the terms of the Trust Securities, the Trust Indenture Act or the listing rules of any stock exchange on which the Securities are then listed or trading, otherwise provides, the Regular Trustees, in their sole discretion, shall establish all other provisions relating to meetings of Holders of Trust Securities, including notice of the time, place or purpose of any meeting at which any matter is to be voted on by any Holders of Trust Securities, waiver of any such notice, action by consent without a meeting, the establishment of a record date, quorum requirements, voting in person or by proxy or any other matter with respect to the exercise of any such right to vote.

ARTICLE XIII  
REPRESENTATIONS OF INSTITUTIONAL TRUSTEE  
AND DELAWARE TRUSTEE

SECTION 13.1      Representations and Warranties of Institutional Trustee.  
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The Trustee that acts as initial Institutional Trustee represents and warrants to the Trust and to the Sponsor at the date of this Declaration, and each Successor Institutional Trustee represents and warrants to the Trust and the Sponsor at the time of the Successor Institutional Trustee's acceptance of its appointment as Institutional Trustee, that:

(a) the Institutional Trustee is a Delaware banking corporation with trust powers and authority to execute and deliver, and to carry out and perform its obligations under the terms of, this Declaration;

(b) the execution, delivery and performance by the Institutional Trustee of the Declaration has been duly authorized by all necessary corporate action on the part of the Institutional Trustee. The Declaration has been duly executed and delivered by the Institutional Trustee, and it constitutes a legal, valid and binding obligation of the Institutional Trustee, enforceable against it in accordance with its terms, subject to applicable bankruptcy, reorganization, moratorium, insolvency, and other similar laws affecting creditors' rights generally and to general principles of equity and the discretion of the court (regardless of whether the enforcement of such remedies is considered in a proceeding in equity or at law);

(c) the execution, delivery and performance of this Declaration by the Institutional Trustee does not conflict with or constitute a breach of the charter or by-laws of the Institutional Trustee; and

(d) no consent, approval or authorization of, or registration with or notice to, any Delaware or other state or any federal banking authority is required for the execution, delivery or performance by the Institutional Trustee of this Declaration.

SECTION 13.2      Representations and Warranties of Delaware Trustee.  
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The Trustee that acts as initial Delaware Trustee represents and warrants to the Trust and to the Sponsor at the date of this Declaration, and each Successor Delaware Trustee represents and warrants to the Trust and the Sponsor at the time of the Successor Delaware Trustee's acceptance of its appointment as Delaware Trustee, that:

(a) The Delaware Trustee is duly organized, validly existing and in good standing under the laws of the State of Delaware, with trust power and authority to execute and deliver, and to carry out and perform its obligations under the terms of, this Declaration.

(b) The Delaware Trustee has been authorized to perform its obligations under the Certificate of Trust and the Declaration. The Declaration under Delaware law constitutes a legal, valid and binding obligation of the Delaware Trustee, enforceable against it in accordance with its terms, subject to applicable bankruptcy,



reorganization, moratorium, insolvency, and other similar laws affecting creditors' rights generally and to general principles of equity and the discretion of the court (regardless of whether the enforcement of such remedies is considered in a proceeding in equity or at law).

(c) No consent, approval or authorization of, or registration with or notice to, any Delaware or other state or any federal banking authority is required for the execution, delivery or performance by the Delaware Trustee of this Declaration.

(d) The Delaware Trustee is a natural person who is a resident of the State of Delaware or, if not a natural person, an entity which has its principal place of business in the State of Delaware.

ARTICLE XIV  
MISCELLANEOUS

SECTION 14.1 Notices.  
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All notices provided for in this Declaration shall be in writing, duly signed by the party giving such notice, and shall be delivered, telecopied or mailed by first class mail, as follows:

(a) if given to the Trust, in care of the Regular Trustees at the Trust's mailing address set forth below (or such other address as the Trust may give notice of to the Holders of the Trust Securities):

Washington Water Power Capital III  
c/o The Washington Water Power Company  
1411 East Mission Avenue  
Spokane, Washington 99202  
Attention: Treasurer  
Telecopy: (509) 489-4879

(b) if given to the Delaware Trustee, at the mailing address set forth below (or such other address as Delaware Trustee may give notice of to the Holders of the Trust Securities):

Wilmington Trust Company  
Rodney Square North  
1100 North Market Street  
Wilmington, Delaware 19890  
Attention: Corporate Trust Administration  
Telecopy: (302) 651-1576

(c) if given to the Institutional Trustee, at the Institutional Trustee's mailing address set forth below (or such other address as the Institutional Trustee may give notice of to the Holders of the Trust Securities):

Wilmington Trust Company  
Rodney Square North  
1100 North Market Street  
Wilmington, Delaware 19890  
Attention: Corporate Trust Administration  
Telecopy: (302) 651-1576

(d) if given to the Holder of the Common Securities, at the mailing address of the Sponsor set forth below (or such other address as the Holder of the Common Securities may give notice to the Trust):

The Washington Water Power Company  
1411 East Mission Avenue  
Spokane, Washington 99202  
Attention: Treasurer  
Telecopy: (509) 482-4879

(e) if given to any other Holder, at the address set forth on the books and records of the Trust.

All such notices shall be deemed to have been given when received in person with receipt confirmed, or mailed by first class mail, postage prepaid except that if a notice or other document is refused delivery or cannot be delivered because of a changed address of which no notice was given, such notice or other document shall be deemed to have been delivered on the date of such refusal or inability to deliver.

SECTION 14.2 Governing Law.  
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This Declaration and the rights of the parties hereunder shall be governed by and interpreted in accordance with the laws of the State of Delaware, and all rights and remedies shall be governed by such laws without regard to principles of conflict of laws.

SECTION 14.3 Intention of the Parties.  
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It is the intention of the parties hereto that the Trust be classified for United States federal income tax purposes as a grantor trust. The provisions of this Declaration shall be interpreted to further this intention of the parties.

SECTION 14.4 Headings.  
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Headings contained in this Declaration are inserted for convenience of reference only and do not affect the interpretation of this Declaration or any provision hereof.

SECTION 14.5 Successors and Assigns.  
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Whenever in this Declaration any of the parties hereto is named or referred to, the successors and assigns of such party shall be deemed to be included, and all covenants and agreements in this Declaration by the Sponsor and the Trustees shall bind and inure to the benefit of their respective successors and assigns, whether so expressed.

SECTION 14.6 Partial Enforceability.  
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If any provision of this Declaration, or the application of such provision to any Person or circumstance, shall be held invalid, the remainder of this Declaration, or the application of such provision to persons or circumstances other than those to which it is held invalid, shall not be affected thereby.

SECTION 14.7 Counterparts.  
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This Declaration may contain more than one counterpart of the signature page and this Declaration may be executed by the affixing of the signature of each of the Trustees to one of such counterpart signature pages. All of such counterpart signature pages shall be read as though one, and they shall have the same force and effect as though all of the signers had signed a single signature page.

IN WITNESS WHEREOF, the undersigned has caused these presents to be executed as of the day and year first above written.

-----  
LAWRENCE J. PIERCE,  
as Regular Trustee

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DOROTHY K. MERCER,  
as Regular Trustee

WILMINGTON TRUST COMPANY,  
as Delaware Trustee

By:  
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Name:  
Title:

WILMINGTON TRUST COMPANY,  
as Institutional Trustee

By:

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Name:

Title:

THE WASHINGTON WATER POWER COMPANY,  
as Sponsor

By:

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Name:

Title:



ANNEX I

TERMS OF  
%  
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% TRUST ORIGINATED COMMON SECURITIES, SERIES C  
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Pursuant to Section 7.1 of the Amended and Restated Declaration of Trust, dated as of \_\_\_\_\_, 199 (as amended from time to time, the "Declaration"), the designation, rights, privileges, restrictions, preferences and other terms and provisions of the Securities and the Common Securities are set out below (each capitalized term used but not defined herein has the meaning set forth in the Declaration or, if not defined in such Declaration, as defined in the Prospectus referred to below):

1. Designation and Number.  
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(a) Securities. \_\_\_\_\_ Securities of the Trust with an aggregate liquidation amount with respect to the assets of the Trust of (\$ \_\_\_\_\_) and a liquidation amount with respect to the assets of the Trust of \$ \_\_\_\_\_ per security, are hereby designated for the purposes of identification only as " \_\_\_\_\_ % Securities, Series C" (the "Securities"). The Security Certificates evidencing the Securities shall be substantially in the form of Exhibit A-1 to the Declaration, with such changes and additions thereto or deletions therefrom as may be required by ordinary usage, custom or practice or to conform to the rules of any stock exchange on which the Securities are listed.

(b) Common Securities. \_\_\_\_\_ Common Securities of the Trust with an aggregate liquidation amount with respect to the assets of the Trust of \_\_\_\_\_ dollars (\$ \_\_\_\_\_) and a liquidation amount with respect to the assets of the Trust of \$ \_\_\_\_\_ per common security, are hereby designated for the purposes of identification only as " \_\_\_\_\_ % Trust Originated Common Securities, Series C" (the "Common Securities"). The Common Security Certificates evidencing the Common Securities shall be substantially in the form of Exhibit A-2 to the Declaration, with such changes and additions thereto or deletions therefrom as may be required by ordinary usage, custom or practice.

2. Distributions.  
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(a) Distributions payable on each Security will be fixed at a rate of \_\_\_\_\_ % per annum (the "Coupon Rate") of the stated liquidation amount of \$ \_\_\_\_\_ per Security, such rate being the rate of interest payable on the Debentures to be held by the Institutional Trustee. Distributions in arrears for more than one Distribution period will bear interest thereon compounded \_\_\_\_\_ at the Coupon Rate (to the extent permitted by applicable law). The term "Distributions" as used herein includes such cash distributions and any such interest payable unless otherwise stated. A Distribution is payable only to the extent that payments are made in respect of the Debentures held by the Institutional Trustee and to the extent the Institutional Trustee has funds available therefor. The amount of Distributions payable for any period will be computed for any full Distribution period on the basis of a 360-day year of twelve \_\_\_\_\_ 30-day months, and for any period shorter than a full \_\_\_\_\_ Distribution period for which Distributions are computed, Distributions will be computed on the basis of the actual number of days elapsed per \_\_\_\_\_ -day Distribution period.  
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(b) Distributions on the Securities will be cumulative, will accrue from \_\_\_\_\_, 199\_\_\_\_, and will be payable \_\_\_\_\_ in arrears, on \_\_\_\_\_ of each year, commencing on \_\_\_\_\_, 199\_\_\_\_, except as otherwise described below. The Debenture Issuer has the right under the Indenture to defer payments of interest by extending the interest payment period from time to time on the Debentures for a period not exceeding \_\_\_\_\_ consecutive Distribution periods (each an "Extension Period"), during which Extension Period no interest shall be due and payable on the Debentures, provided, however, that no Extension Period shall last beyond the date of maturity of the Debentures. As a consequence of such deferral, Distributions will also be deferred. Despite such deferral, Distributions will continue to accrue with interest thereon (to the extent permitted by applicable law) at the Coupon Rate compounded \_\_\_\_\_ during any such Extension Period. Prior to the termination of any such Extension Period, the Debenture Issuer may further extend such Extension Period; provided, however, that such Extension Period, together with all such previous and further extensions thereof, may not exceed \_\_\_\_\_ consecutive Distribution periods or extend beyond the maturity of the Debentures. Payments of accrued Distributions will be payable to Holders as they appear on the books and records of the Trust on the first record date after the end of the Extension Period. Upon the termination of any Extension Period and the payment of all amounts then due, the Debenture Issuer may commence a new Extension Period, subject to the above requirements.

(c) Distributions on the Securities will be payable to the Holders thereof as they appear on the books and records of the Trust on the relevant record dates. The relevant record dates for the Securities shall conform to the rules of any securities exchange on which the securities are listed and, if none, shall be selected by the Regular Trustees, which dates shall be at least one Business Day but less than 50 Business Days before the relevant payment dates, which payment dates correspond to the interest payment dates on the Debentures. The relevant record dates for the Common Securities shall be the same record date as for the Securities. Distributions payable on any Trust Securities that are not punctually paid on any Distribution payment date, as a result of the Debenture Issuer having failed to make a payment under the Debentures, will cease to be payable to the Person in whose name such Trust Securities are registered on the relevant record date, and such defaulted Distribution will instead be payable to the Person in whose name such Trust Securities are registered on the special record date or other specified date determined in accordance with the Indenture. If any date on which Distributions are payable on the Trust Securities is not a Business Day, then payment of the Distribution payable on such date will be made on the next succeeding day that is a Business Day except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date.

(d) In the event that there is any money or other property held by or for the Trust that is not accounted for hereunder, such property shall be distributed Pro Rata (as defined herein) among the Holders of the Trust Securities.

### 3. Liquidation Distribution Upon Dissolution.

In the event of any voluntary or involuntary dissolution, winding-up or termination of the Trust, the Holders of the Trust Securities on the date of the dissolution, winding-up or termination, as the case may be, will be entitled to receive out of the assets of the Trust available for distribution to Holders of Trust Securities after satisfaction of liabilities of creditors an amount equal to the aggregate of the stated liquidation amount of \$ \_\_\_\_\_ per Trust Security plus accrued and unpaid

Distributions thereon to the date of payment (such amount being the "Liquidation Distribution"), unless, in connection with such dissolution, winding-up or termination, Debentures in an aggregate stated principal amount equal to the aggregate stated liquidation amount of such Trust Securities, with an interest rate equal to the Coupon Rate of, accrued and unpaid interest in an amount equal to the accrued and unpaid Distributions on, such Trust Securities, shall be distributed on a Pro Rata basis to the Holders of the Trust Securities in exchange for such Trust Securities.

If, upon any such dissolution, the Liquidation Distribution can

be paid only in part because the Trust has insufficient assets available to pay in full the aggregate Liquidation Distribution, then the amounts payable directly by the Trust on the Trust Securities shall be paid on a Pro Rata basis.

4. Redemption and Distribution.  
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(a) Upon the repayment of the Debentures in whole or in part, whether at maturity or upon redemption (either at the option of the Debenture Issuer or pursuant to a Tax Event as described below), the proceeds from such repayment shall be simultaneously applied to redeem Securities having an aggregate liquidation amount equal to the aggregate principal amount of the Debentures so repaid or redeemed at a redemption price of \$ per Trust Security plus an amount equal to accrued and unpaid

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Distributions thereon at the date of the redemption, payable in cash (the "Redemption Price"). Holders will be given not less than 30 nor more than 60 days' notice of such redemption.

(b) If fewer than all the outstanding Securities are to be so redeemed, the Common Securities and the Securities will be redeemed Pro Rata and the Securities to be redeemed will be as described in Section 4(f)(ii) below.

(c) If, at any time, a Tax Event (as defined below) shall occur and be continuing, at the option of the Sponsor, within 90 days following the occurrence of such Tax Event, either (i) the Regular Trustees may dissolve the Trust, and, after satisfaction of creditors, cause Debentures held by the Institutional Trustee, having an aggregate principal amount equal to the aggregate stated liquidation amount of, with an interest rate identical to the Coupon Rate of, and accrued and unpaid interest equal to accrued and unpaid Distributions on, and having the same record date for payment as the Trust Securities, to be distributed to the Holders of the Trust Securities in liquidation of such Holders' interests in the Trust on a Pro Rata basis, or (ii) the Debenture Issuer may, upon not less than 30 nor more than 60 days' notice, redeem the Debentures, in whole but not in part, for cash, and, following such redemption, Trust Securities with an aggregate liquidation amount equal to the aggregate principal amount of the Debentures so redeemed shall be redeemed by the Trust at the Redemption Price on a Pro Rata basis; and provided, however, further, that, if at the time there is available to the Trust the opportunity to eliminate, within the 90 day period, the Tax Event by taking some ministerial action, such as filing a form or making an election, or pursuing some other similar reasonable measure that has no adverse effect on the Trust, the Debenture Issuer, the Sponsor or the Holders of the Trust Securities ("Ministerial Action"), the Trust or the Debenture Issuer will pursue such Ministerial Action in lieu of such dissolution and distribution or redemption.

"Tax Event" means the receipt by the Sponsor of an opinion of counsel to the effect that, as a result of (a) any amendment to, clarification of or change (including any announced prospective change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein affecting taxation, (b) any judicial decision, official administrative pronouncement, ruling, regulatory procedure, notice or announcement, including any notice or announcement of intent to adopt such procedures or regulations (an "Administrative Action") or (c) any amendment to, clarification of, or change in the official position or the interpretation of such Administrative Action or judicial decision that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification or change is made known, which amendment, clarification, or change is effective or such pronouncement or decision is announced, in each case, on or after, the date of the original issuance of the Debentures (including the enactment of any legislation and the publication of any judicial decision or regulatory determination on or after such date), there is more than an insubstantial risk that (i) the Trust is or will be within 90 days of the date of such amendment, clarification or change, subject to United States federal income tax with respect to interest accrued or received on the Debentures, (ii) the Trust is, or will be within 90 days of the date of such amendment, clarification or change, subject to more than a de minimis amount of taxes, duties or other governmental charges, or (iii) interest payable by the Debenture Issuer to the Trust on the Debentures is not, or within 90 days of the date of such amendment, clarification or change will not be, deductible, in whole or in part, by the Debenture Issuer for United States federal income tax purposes.

On and from the date fixed by the Regular Trustees for any distribution of Debentures and dissolution of the Trust: (i) the Trust

Securities will be deemed to be no longer outstanding and (ii) any certificates representing Trust Securities will be deemed to represent beneficial interests in the Debentures having an aggregate principal amount equal to the aggregate stated liquidation amount of, with an interest rate identical to the Coupon Rate of, and accrued and unpaid interest equal to accrued and unpaid Distributions on, and having the same record date for payment as such Trust Securities until such certificates are presented to the Debenture Issuer or its agent for transfer or reissue.

(d) The Trust may not redeem fewer than all the outstanding Trust Securities unless all accrued and unpaid Distributions have been paid on all Trust Securities for all Distribution periods terminating ----- on or before the date of redemption.

(e) If the Debentures are distributed to holders of the Trust Securities, the Debenture Issuer will use all reasonable efforts to have the Debentures listed on the New York Stock Exchange or on such other exchange as the Securities were listed immediately prior to the distribution of the Debentures.

(f) "Redemption or Distribution Procedures."

(i) Notice of any redemption of, or notice of distribution of Debentures in exchange for the Trust Securities (a "Redemption/Distribution Notice"), will be given by the Trust by mail to each Holder of Trust Securities to be redeemed or exchanged not fewer than 30 nor more than 60 days before the date fixed for redemption or exchange thereof which, in the case of a redemption, will be the date fixed for redemption of the Debentures. For purposes of the calculation of the date of redemption or exchange and the dates on which notices are given pursuant to this Section 4(f)(i), a Redemption/Distribution Notice shall be deemed to be given on the day such notice is first mailed by first-class mail, postage prepaid, to Holders of Trust Securities. Each Redemption/Distribution Notice shall be addressed to the Holders of Trust Securities at the address of each such Holder appearing in the books and records of the Trust. No defect in the Redemption/Distribution Notice or in the mailing of either thereof with respect to any Holder shall affect the validity of the redemption or exchange proceedings with respect to any other Holder.

(ii) In the event that fewer than all the outstanding Trust Securities are to be redeemed, the Trust Securities to be redeemed shall be redeemed Pro Rata from each Holder of Securities. The particular Securities to be redeemed shall be selected on a Pro Rata basis not more than 60 days prior to the redemption date by the Institutional Trustee from the outstanding Securities not previously called for redemption, by such method as the Institutional Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions (equal to \$ or an integral

multiple of \$\_\_\_ in excess thereof) of the liquidation preference amount of Securities of a denomination larger than \$ . The

Institutional Trustee shall notify the Transfer Agent and Registrar in writing of the Securities selected for redemption, and in the case of any Securities selected for partial redemption, the liquidation preference amount thereof to be redeemed. For all purposes of the Declaration, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Securities redeemed or to be redeemed only in part, or to the portion of the aggregate liquidation preference amount of Securities which has been or is to be redeemed.

(iii) If Trust Securities are to be redeemed and the Trust gives a Redemption/Distribution Notice, then provided that the Debenture Issuer has paid the Institutional Trustee a sufficient amount of cash in connection with the related redemption or maturity of the Debentures, the Institutional Trustee will pay the relevant Redemption Price to the holders of such Trust Securities by check mailed to the address of the relevant Holders appearing on the books and records of the Trust on the redemption date. If a Redemption/Distribution Notice shall have been given and funds deposited as required, if applicable, then immediately prior to the close of business on the date of such deposit, or on the redemption date, as applicable, distributions will cease to accrue on the Trust Securities so called for redemption and all rights of Holders of such Trust Securities so called for redemption will cease, except the right of the Holders of such Trust Securities to receive the Redemption Price, but without interest on such Redemption Price. Neither the Regular Trustees nor the Trust



shall be required to register or cause to be registered the transfer of any Trust Securities that have been so called for redemption. If any date fixed for redemption of Trust Securities is not a Business Day, then payment of the Redemption Price payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day falls in the next calendar year, such payment will be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date fixed for redemption. If payment of the Redemption Price in respect of any Trust Securities is improperly withheld or refused and not paid either by the Institutional Trustee or by the Sponsor as guarantor pursuant to the relevant Guarantee, Distributions on such Trust Securities will continue to accrue from the original redemption date to the actual date of payment, in which case the actual payment date will be considered the date fixed for redemption for purposes of calculating the Redemption Price.

(iv) Redemption/Distribution Notices shall be sent by the Regular Trustees on behalf of the Trust to (A) in respect of the Securities, to the Holder thereof, and (B) in respect of the Common Securities to the Holder thereof.

(v) Subject to the foregoing and applicable law (including, without limitation, United States federal securities laws), provided the acquiror is not the Holder of the Common Securities or the obligor under the Indenture, the Sponsor or any of its subsidiaries may at any time and from time to time purchase outstanding Securities by tender, in the open market or by private agreement.

#### 5. Voting Rights - Securities.

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(a) Except as provided under Sections 5(b) and 7 and as otherwise required by law and the Declaration, the Holders of the Securities will have no voting rights.

(b) Subject to the requirements set forth in this paragraph, the Holders of a majority in aggregate liquidation amount of the Securities, voting separately as a class, may direct the time, method, and place of conducting any proceeding for any remedy available to the Institutional Trustee, or exercising any trust or power conferred upon the Institutional Trustee under the Declaration, including the right to direct the Institutional Trustee, as holder of the Debentures, to (i) exercise the remedies available under the Indenture of conducting any proceeding for any remedy available to the Debenture Trustee, or exercising any trust or power conferred on the Debenture Trustee with respect to the Debentures, (ii) waive any past default and its consequences that is waivable under Section 813 of the Indenture, or (iii) exercise any right to rescind or annul a declaration that the principal of all the Debentures shall be due and payable. The Institutional Trustee shall not revoke any action previously authorized or approved by a vote of the Holders of the Securities. Other than with respect to directing the time, method and place of conducting any remedy available to the Institutional Trustee or the Debenture Trustee as set forth above, the Institutional Trustee shall not take any action in accordance with the directions of the Holders of the Securities under this paragraph unless the Institutional Trustee has obtained an opinion of tax counsel to the effect that for the purposes of United States federal income tax the Trust will not be treated as an association taxable as a corporation on account of such action. If an Event of Default has occurred and is continuing and such event is attributable to the failure of the Debenture Issuer to pay interest or principal on the Debentures on the date such interest or principal is otherwise payable (or in the case of redemption, on the redemption date), then a holder of Securities may directly institute a proceeding for enforcement of payment to such Holder of the principal of or interest on the Debentures having a principal amount equal to the aggregate liquidation amount of the Securities of such holder (a "Direct Action") on or after the respective due date specified in the Debentures. In connection with such Direct Action, the rights of the holders of the Common Securities Holder will be subrogated to the rights of such holder of Securities to the extent of any payment made by the Issuer to such holder of Securities in such Direct Action. Except as provided in the preceding sentences, the Holders of Securities will not be able to exercise directly any other remedy available to the holders of the Debentures.

Any approval or direction of Holders of Securities may be given at a separate meeting of Holders of Securities convened for such purpose, at a meeting of all of the Holders of Trust Securities in the Trust or pursuant to written consent. The Regular Trustees will cause a notice of

any meeting at which Holders of Securities are entitled to vote, or of any matter upon which action by written consent of such Holders is to be taken, to be mailed to each Holder of record of Securities. Each such notice will include a statement setting forth (i) the date of such meeting or the date by which such action is to be taken, (ii) a description of any resolution proposed for adoption at such meeting on which such Holders are entitled to vote or of such matter upon which written consent is sought and (iii) instructions for the delivery of proxies or consents.

No vote or consent of the Holders of the Securities will be required for the Trust to redeem and cancel Securities or to distribute the Debentures in accordance with the Declaration and the terms of the Trust Securities.

Notwithstanding that Holders of Securities are entitled to vote or consent under any of the circumstances described above, any of the Securities that are owned by the Sponsor or any Affiliate of the Sponsor shall not be entitled to vote or consent and shall, for purposes of such vote or consent, be treated as if they were not outstanding.

6. Voting Rights - Common Securities.  
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(a) Except as provided under Sections 6(b), (c), 7(a) and 8 as otherwise required by law and the Declaration, the Holders of the Common Securities will have no voting rights.

(b) The Holders of the Common Securities are entitled, in accordance with Article V of the Declaration, to vote to appoint, remove or replace any Trustee or to increase or decrease the number of Trustees.

(c) Subject to Section 2.6 of the Declaration and only after the Event of Default with respect to the Securities has been cured, waived, or otherwise eliminated and subject to the requirements of the second to last sentence of this paragraph, the Holders of a Majority in liquidation amount of the Common Securities, voting separately as a class, may direct the time, method, and place of conducting any proceeding for any remedy available to the Institutional Trustee, or exercising any trust or power conferred upon the Institutional Trustee under the Declaration, including (i) directing the time, method, place of conducting any proceeding for any remedy available to the Debenture Trustee, or exercising any trust or power conferred on the Debenture Trustee with respect to the Debentures, (ii) waive any past default and its consequences that is waivable under Section 713 of the Indenture, or (iii) exercise any right to rescind or annul a declaration that the principal of all the Debentures shall be due and payable. Pursuant to this Section 6(c), the Institutional Trustee shall not revoke any action previously authorized or approved by a vote of the Holders of the Securities. Other than with respect to directing the time, method and place of conducting any remedy available to the Institutional Trustee or the Debenture Trustee as set forth above, the Institutional Trustee shall not take any action in accordance with the directions of the Holders of the Common Securities under this paragraph unless the Institutional Trustee has obtained an opinion of tax counsel to the effect that for the purposes of United States federal income tax the Trust will not be treated as an association taxable as a corporation on account of such action. If the Institutional Trustee fails to enforce its rights under the Declaration, any Holder of Common Securities may institute a legal proceeding directly against any Person to enforce the Institutional Trustee's rights under the Declaration, without first instituting a legal proceeding against the Institutional Trustee or any other Person.

Any approval or direction of Holders of Common Securities may be given at a separate meeting of Holders of Common Securities convened for such purpose, at a meeting of all of the Holders of Securities in the Trust or pursuant to written consent. The Regular Trustees will cause a notice of any meeting at which Holders of Common Securities are entitled to vote, or of any matter upon which action by written consent of such Holders is to be taken, to be mailed to each Holder of record of Common Securities. Each such notice will include a statement setting forth (i) the date of such meeting or the date by which such action is to be taken, (ii) a description of any resolution proposed for adoption at such meeting on which such Holders are entitled to vote or of such matter upon which written consent is sought and (iii) instructions for the delivery of proxies or consents.

No vote or consent of the Holders of the Common Securities will be required for the Trust to redeem and cancel Common Securities or to distribute the Debentures in accordance with the Declaration and the terms of the Trust Securities.

7. Amendments to Declaration and Indenture.  
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(a) In addition to any requirements under Section 12.1 of the Declaration, if any proposed amendment to the Declaration provides for, or the Regular Trustees otherwise propose to effect, (i) any action that would adversely affect the powers, preferences or special rights of the Securities in any material respect, whether by way of amendment to the Declaration or otherwise, or (ii) the dissolution, winding-up or termination of the Trust, other than as described in Section 8.1 of the Declaration, then the Holders of outstanding Trust Securities voting together as a single class, will be entitled to vote on such amendment or proposal (but not on any other amendment or proposal) and such amendment or proposal shall not be effective except with the approval of the Holders of at least a Majority in liquidation amount of the Trust Securities, affected thereby, provided, however, that if any amendment or proposal referred to in clause (i) above would so adversely affect only the Securities or only the Common Securities, then only the affected class will be entitled to vote on such amendment or proposal and such amendment or proposal shall not be effective except with the approval of a Majority in liquidation amount of such class of Trust Securities.

(b) In the event the consent of the Institutional Trustee as the holder of the Debentures is required under the Indenture with respect to any amendment, modification or termination on the Indenture or the Debentures, the Institutional Trustee shall request the written approval of the Holders of the Trust Securities with respect to such amendment, modification or termination and shall vote with respect to such amendment, modification or termination as directed by a Majority in liquidation amount of the Trust Securities voting together as a single class; provided, however, that where a consent under the Indenture would require the consent of each holder of the Debentures, the Institutional Trustee may only give such consent with the approval of each Holder of outstanding Trust Securities; and provided, further, that, the Institutional Trustee shall not take any action in accordance with the directions of the Holders of the Trust Securities under this Section 7(b) unless the Institutional Trustee has obtained an opinion of tax counsel to the effect that for the purposes of United States federal income tax the Trust will not be treated as an association taxable as a corporation on account of such action.

8. Pro Rata.  
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A reference in these terms of the Trust Securities to any payment, distribution or treatment as being "Pro Rata" shall mean pro rata to each Holder of Trust Securities according to the aggregate liquidation amount of the Trust Securities held by the relevant Holder in relation to the aggregate liquidation amount of all Trust Securities outstanding unless, in relation to a payment, an Event of Default under the Declaration has occurred and is continuing, in which case any funds available to make such payment shall be paid first to each Holder of the Securities pro rata according to the aggregate liquidation amount of Securities held by the relevant Holder relative to the aggregate liquidation amount of all Securities outstanding, and only after satisfaction of all amounts owed to the Holders of the Securities, to each Holder of Common Securities pro rata according to the aggregate liquidation amount of Common Securities held by the relevant Holder relative to the aggregate liquidation amount of all Common Securities outstanding.

9. Ranking.  
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The Securities rank pari passu and payment thereon shall be made Pro Rata with the Common Securities except that, where an Event of Default occurs and is continuing, the rights of Holders of the Common Securities and the rights of the Sponsor or any Affiliate of the Sponsor, to the extent of their beneficial ownership of Securities, to payment in respect of Distributions and payments upon liquidation, redemption and otherwise are subordinated to the rights to payment of other Holders of the Securities.

10. Listing.  
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The Regular Trustees shall use all reasonable efforts to cause the Securities to be listed for quotation on the New York Stock Exchange.

11. Acceptance of Guarantee and Indenture.  
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Each Holder of Securities and Common Securities, by the acceptance thereof, agrees to the provisions of the Securities Guarantee, the Common Securities Guarantee and the Indenture, respectively, including

the subordination provisions therein.

12. No Preemptive Rights.  
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The Holders of the Trust Securities shall have no preemptive rights to subscribe for any additional securities.

13. Miscellaneous.  
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These terms constitute a part of the Declaration.

The Sponsor will provide a copy of the Declaration, the Securities Guarantee or the Common Securities Guarantee (as may be appropriate), and the Indenture to a Holder without charge on written request to the Sponsor at its principal place of business.



EXHIBIT A-1

FORM OF SECURITY CERTIFICATE

This Security is a Global Certificate within the meaning of the Declaration hereinafter referred to and is registered in the name of The Depository Trust Company (the "Depository") or a nominee of the Depository. This Security is exchangeable for Securities registered in the name of a person other than the Depository or its nominee only in the limited circumstances described in the Declaration and no transfer of this Security (other than a transfer of this Security as a whole by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository) may be registered except in limited circumstances.

Unless this Security is presented by an authorized representative of The Depository Trust Company (55 Water Street, New York, New York) to the Trust or its agent for registration of transfer, exchange or payment, and any Security issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment hereon is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY A PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

Certificate Number \_\_\_\_\_ Number of Securities \_\_\_\_\_  
CUSIP NO. \_\_\_\_\_

Certificate Evidencing Securities

of

WASHINGTON WATER POWER CAPITAL III

\_\_\_\_\_ % \_\_\_\_\_ Securities, Series C

(liquidation amount \$ \_\_\_\_\_ per Security)

WASHINGTON WATER POWER CAPITAL III, a statutory business trust formed under the laws of the State of Delaware (the "Trust"), hereby certifies that \_\_\_\_\_ (the "Holder") is the registered owner of

\_\_\_\_\_ securities of the Trust representing undivided beneficial interests in the assets of the Trust designated the \_\_\_\_\_ % \_\_\_\_\_ Securities, Series C

(liquidation amount \$ \_\_\_\_\_ per Security) (the "Securities"). The Securities

are transferable on the books and records of the Trust, in person or by a duly authorized attorney, upon surrender of this certificate duly endorsed and in proper form for transfer. The designation, rights, privileges, restrictions, preferences and other terms and provisions of the Securities represented hereby are issued and shall in all respects be subject to the provisions of the Amended and Restated Declaration of Trust of the Trust dated as of \_\_\_\_\_, 199 , as the same may be amended from time to time (the

\_\_\_\_\_ "Declaration"), including the designation of the terms of the Securities as set forth in Annex I to the Declaration. Capitalized terms used herein but not defined shall have the meaning given them in the Declaration. The Holder is entitled to the benefits of the Securities Guarantee to the extent provided therein. The Sponsor will provide a copy of the Declaration, the Securities Guarantee and the Indenture to a Holder without charge upon written request to the Trust at its principal place of business.

Upon receipt of this certificate, the Holder is bound by the Declaration and is entitled to the benefits thereunder.

By acceptance, the Holder agrees to treat, for United States federal income tax purposes, the Debentures as indebtedness and the Securities as evidence of indirect beneficial ownership in the Debentures.

IN WITNESS WHEREOF, the Trust has executed this certificate this

\_\_\_\_ day of \_\_\_\_\_, 199 \_\_\_\_

WASHINGTON WATER POWER CAPITAL III

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

Name:  
Title: Regular Trustee

[FORM OF REVERSE OF SECURITY]

Distributions payable on each Security will be fixed at a rate per annum of \_\_\_\_\_ % (the "Coupon Rate") of the stated liquidation amount of

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\$ \_\_\_\_\_ per Security, such rate being the rate of interest payable on the

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Debentures to be held by the Institutional Trustee. Distributions in arrears for more than one Distribution period will bear interest thereon compounded \_\_\_\_\_ at the Coupon Rate (to the extent permitted by

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applicable law). The term "Distributions" as used herein includes such cash distributions and any such interest payable unless otherwise stated. A Distribution is payable only to the extent that payments are made in respect of the Debentures held by the Institutional Trustee and to the extent the Institutional Trustee has funds available therefor. The amount of Distributions payable for any period will be computed for any full Distribution period on the basis of a 360-day year of twelve

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30-day months, and for any period shorter than a full

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Distribution period for which Distributions are computed, Distributions will be computed on the basis of the actual number of days elapsed per \_\_\_\_\_-day Distribution period.

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Except as otherwise described below, distributions on the Securities will be cumulative, will accrue from the date of original issuance and will be payable \_\_\_\_\_ in arrears, on \_\_\_\_\_ of each year, commencing on \_\_\_\_\_, 199 , to \_\_\_\_\_, 20 , to holders of

-----  
record on the relevant record dates (as specified in the Declaration) next preceding such payment dates, which payment dates shall correspond to the interest payment dates on the Debentures. The Debenture Issuer has the right under the Indenture to defer payments of interest by extending the interest payment period from time to time on the Debentures for a period not exceeding \_\_\_\_\_ consecutive Distribution periods (each an "Extension

-----  
Period") and as a consequence of such deferral, Distributions will also be deferred, provided, however, that no Extension Period shall last beyond the date of the maturity of the Debentures. Despite such deferral, \_\_\_\_\_

-----  
Distributions will continue to accrue with interest thereon (to the extent permitted by applicable law) at the Coupon Rate compounded \_\_\_\_\_ during

-----  
any such Extension Period. Prior to the termination of any such Extension Period, the Debenture Issuer may further extend such Extension Period; provided, however, that such Extension Period together with all such previous and further extensions thereof may not exceed \_\_\_\_\_ consecutive

-----  
Distribution periods or extend beyond the maturity of the Debentures. Payments of accrued Distributions will be payable to Holders as they appear on the books and records of the Trust on the first record date after the end of the Extension Period. Upon the termination of any Extension Period and the payment of all amounts then due, the Debenture Issuer may commence a new Extension Period, subject to the above requirements.

-----  
The Securities shall be redeemable as provided in the Declaration.

-----  
The Declaration and the Securities shall be governed by and construed in accordance with the laws of the State of Delaware, and all rights and remedies shall be governed by such laws without regard to principles of conflict of laws.



-----  
ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers this Security Certificate to:

-----  
-----  
-----  
(Insert assignee's social security or tax identification number)  
-----  
-----  
-----

-----  
-----  
-----  
(Insert address and zip code of assignee)

and irrevocably appoints

-----  
-----  
----- agent  
to transfer this Security Certificate on the books of the Trust. The agent  
may substitute another to act for him or her.

Date: -----

Signature: -----  
(Sign exactly as your name appears on the other side of this Security Certificate)

Signature Guarantee\* -----

-----  
\* Signature must be guaranteed by an "eligible guarantor institution" that is a bank, stockbroker, savings and loan association or credit union meeting the requirements of the Registrar, which requirements include membership or participation in the Securities Transfer Agents Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities and Exchange Act of 1934, as amended.





IN WITNESS WHEREOF, the Trust has executed this certificate this  
day of \_\_\_\_\_, 199 .

WASHINGTON WATER POWER CAPITAL III

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

Name:

Title: Regular Trustee

[FORM OF REVERSE OF SECURITY]

Distributions payable on each Common Security will be fixed at a rate per annum of \_\_\_\_\_ % (the "Coupon Rate") of the stated liquidation

amount of \$ \_\_\_\_\_ per Common Security, such rate being the rate of interest

payable on the Debentures to be held by the Institutional Trustee. Distributions in arrears for more than one Distribution period will bear interest thereon compounded \_\_\_\_\_ at the Coupon Rate (to the extent

permitted by applicable law). The term "Distributions" as used herein includes such cash distributions and any such interest payable unless otherwise stated. A Distribution is payable only to the extent that payments are made in respect of the Debentures held by the Institutional Trustee and to the extent the Institutional Trustee has funds available therefor. The amount of Distributions payable for any period will be computed for any full \_\_\_\_\_ Distribution period on the basis of a

360-day year of twelve 30-day months, and for any period shorter than a full \_\_\_\_\_ Distribution period for which Distributions are computed,

Distributions will be computed on the basis of the actual number of days elapsed per \_\_\_\_\_-day Distribution period.

Except as otherwise described below, distributions on the Common Securities will be cumulative, will accrue from the date of original issuance and will be payable \_\_\_\_\_ in arrears, on \_\_\_\_\_ of each

year, commencing on \_\_\_\_\_, 199 , to \_\_\_\_\_, 20 , to Holders of

record on the relevant record dates (as specified in the Declaration) next preceding such payment dates, which payment dates shall correspond to the interest payment dates on the Debentures. The Debenture Issuer has the right under the Indenture to defer payments of interest by extending the interest payment period from time to time on the Debentures for a period not exceeding \_\_\_\_\_ consecutive Distribution periods (each an "Extension

Period") and as a consequence of such deferral, Distributions will also be deferred; provided, however, that no Extension Period shall last beyond the date of the maturity of the Debentures. Despite such deferral,

Distributions will continue to accrue with interest thereon (to the extent permitted by applicable law) at the Coupon Rate compounded \_\_\_\_\_ during

any such Extension Period. Prior to the termination of any such Extension Period, the Debenture Issuer may further extend such Extension Period; provided, however, that such Extension Period together with all such previous and further extensions thereof may not exceed \_\_\_\_\_ consecutive

Distribution periods or extend beyond the maturity date of the Debentures. Payments of accrued Distributions will be payable to Holders as they appear on the books and records of the Trust on the first record date after the end of the Extension Period. Upon the termination of any Extension Period and the payment of all amounts then due, the Debenture Issuer may commence a new Extension Period, subject to the above requirements.

The Common Securities shall be redeemable as provided in the Declaration.

The Declaration and the Common Securities shall be governed by and construed in accordance with the laws of the State of Delaware, and all rights and remedies shall be governed by such laws without regard to principles of conflict of laws.

-----  
ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers this Common Security Certificate to:

-----  
-----  
-----  
(Insert assignee's social security or tax identification number)

-----  
-----  
-----  
(Insert address and zip code of assignee)

and irrevocably appoints

-----  
-----  
-----  
agent to transfer

-----  
this Common Security Certificate on the books of the Trust. The agent may substitute another to act for him or her.

Date:

-----  
Signature:

-----  
(Sign exactly as your name appears on the other side of this Common Security Certificate)

Signature Guarantee\*:  
-----

-----  
\* Signature must be guaranteed by an "eligible guarantor institution" that is a bank, stockbroker, savings and loan association or credit union meeting the requirements of the Registrar, which requirements include membership or participation in the Securities Transfer Agents Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities and Exchange Act of 1934, as amended.

-----  
 THE WASHINGTON WATER POWER COMPANY

TO

WILMINGTON TRUST COMPANY,

TRUSTEE

\_\_\_\_\_  
 INDENTURE

DATED AS OF \_\_\_\_\_ 1, 199\_

-----  
 THE WASHINGTON WATER POWER COMPANY

RECONCILIATION AND TIE BETWEEN TRUST INDENTURE ACT OF 1939 AND  
 INDENTURE, DATED AS OF \_\_\_\_\_ 1, 199\_

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-----	-----
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(b) . . . . .	808, 810
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INDENTURE, dated as of \_\_\_\_\_ 1, 199\_ between THE WASHINGTON WATER POWER COMPANY, a corporation organized and existing under the laws of the State of Washington (hereinafter sometimes called the "Company"), and Wilmington Trust Company, a Delaware banking corporation, trustee (hereinafter sometimes called the "Trustee").

#### RECITALS OF THE COMPANY

The Company has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of unsecured subordinated debentures, notes or other evidences of indebtedness (herein called the "Securities"), to be issued in one or more series as contemplated herein; all acts necessary to make this Indenture a valid agreement of the Company have been performed.

NOW, THEREFORE, THIS INDENTURE WITNESSETH that, in consideration of the premises and of the purchase of the Securities by the Holders thereof, it is hereby covenanted and agreed by and between the Company and the Trustee that all the Securities are to be authenticated and delivered subject to the further covenants, conditions and trusts hereinafter set forth, and the Company hereby covenants and agrees to and with the Trustee, for the equal and ratable benefit of all Holders of the Securities or of series thereof, as follows:

#### ARTICLE ONE

##### DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

##### SECTION 101. GENERAL DEFINITIONS.

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

(a) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;

(b) all terms used herein without definition which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(c) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles in the United States; and, except as otherwise herein expressly provided, the term "generally accepted accounting principles" with respect to any computation required or permitted hereunder shall mean such accounting principles as are generally accepted in the United States at the date of such computation or, at the election of the Company from time to time, at the date of the execution and delivery of this Indenture; provided, however, that in determining generally accepted accounting principles applicable to the Company, effect shall be given, to the extent required, to any order, rule or regulation of any administrative agency, regulatory authority or other governmental body having jurisdiction over the Company; and

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

"ACT", when used with respect to any Holder of a Security, has the meaning specified in Section 104.

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

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

"AUTHORIZED OFFICER" means the Chairman of the Board, the President, any Vice President, the Treasurer or the Corporate Secretary or any other duly authorized officer, agent or attorney-in-fact of the Company named in an Officer's Certificate signed by any of such corporate officers.

"BOARD OF DIRECTORS" means either the board of directors of the Company or any committee thereof duly authorized to act in respect of matters relating to this Indenture.

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

"BUSINESS DAY", when used with respect to a Place of Payment or any other particular location specified in the Securities or this Indenture, means any day, other than a Saturday or Sunday, which is not a day on which banking institutions or trust companies in such Place of Payment or other location are generally authorized or required by law, regulation or executive order to remain closed, except as may be otherwise specified as contemplated by Section 301.

"COMMISSION" means the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, as amended, or, if at any time after the date of the execution and delivery of this Indenture such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body, if any, performing such duties at such time.

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

"COMPANY ORDER" or "COMPANY REQUEST" means a written request or order signed in the name of the Company by an Authorized Officer and delivered to the Trustee.

"CORPORATE TRUST OFFICE" means the office of the Trustee at which at any particular time its corporate trust business shall be principally administered, which office at the date of the execution and delivery of this Indenture is located at Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890.

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

"DECLARATION", with respect to a Washington Water Power Trust, means the Declaration of Trust establishing such trust, as the same shall be amended and restated from time to time.

"DISCOUNT SECURITY" means any Security which provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 702. "INTEREST" with respect to a Discount Security means interest, if any, borne by such Security at a Stated Interest Rate.

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

"ELIGIBLE OBLIGATIONS" means:

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

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

"EVENT OF DEFAULT" has the meaning specified in Section 701.

"FAIR VALUE" has the meaning specified in Section 1005.

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

any of the foregoing.

"GOVERNMENT OBLIGATIONS" means:

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

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

"GUARANTEE", with respect to a Washington Water Power Trust, means a guarantee agreement between the Company and the Institutional Trustee of such trust for the benefit of the holders from time to time of any of the Trust Securities of such trust.

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

"INDENTURE" means the Indenture, dated as of \_\_\_\_\_ 1, 199\_ as originally executed and delivered and as it has been and may from time to time be amended and/or supplemented by one or more indentures or other instruments supplemental thereto or hereto entered into pursuant to the applicable provisions hereof and shall include the terms of particular series of Securities established as contemplated by Section 301.

"INDEPENDENT EXPERT'S CERTIFICATE" has the meaning specified in Section 1005.

"INSTITUTIONAL TRUSTEE", with respect to a Washington Water Power Trust, has the meaning set forth in the Declaration establishing such trust.

"INTEREST PAYMENT DATE", when used with respect to any Security, means the Stated Maturity of an installment of interest on such Security.

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

"NOTICE OF DEFAULT" has the meaning specified in Section 701.

"OFFICER'S CERTIFICATE" means a certificate signed by an Authorized Officer and delivered to the Trustee.

"OPINION OF COUNSEL" means a written opinion of counsel, who may be counsel for the Company or other counsel acceptable to the Trustee and who may be an employee or Affiliate of the Company.

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

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

(b) Securities deemed to have been paid for all purposes of this Indenture in accordance with Section 601 (whether or not the Company's indebtedness in respect thereof shall be satisfied and discharged for any other purpose); and

(c) Securities which have been paid pursuant to Section 306 or in exchange for or in lieu of which other Securities have been authenticated and delivered pursuant to this Indenture, other than any such Securities in respect of which there shall have

been presented to the Trustee proof satisfactory to it and the Company that such Securities are held by a bona fide purchaser or purchasers in whose hands such Securities are valid obligations of the Company;

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

(x) Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor (unless the Company, such obligor or such Affiliate owns all Securities Outstanding under this Indenture, or all Outstanding Securities of each such series and each such Tranche, as the case may be, determined without regard to this clause (x)) shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver or upon any such determination as to the presence of a quorum, only Securities which the Trustee knows to be so owned shall be so disregarded; provided, however, that Securities so owned which have been pledged in good faith may be regarded as Outstanding if it is established to the reasonable satisfaction of the Trustee that the pledgee, and not the Company, any such other obligor or Affiliate of either thereof, has the right so to act with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Affiliate of the Company or of such other obligor; and

(y) the principal amount of a Discount Security that shall be deemed to be Outstanding for such purposes shall be the amount of the principal thereof that would be due and payable as of the date of such determination upon a declaration of acceleration of the Maturity thereof pursuant to Section 702; and

provided, further, that, in the case of any Security the principal of which is payable from time to time without presentment or surrender, the principal amount of such Security that shall be deemed to be Outstanding at any time for all purposes of this Indenture shall be the original principal amount thereof less the aggregate amount of principal thereof theretofore paid.

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

"PERIODIC OFFERING" means an offering of Securities of a series from time to time any or all of the specific terms of which Securities, including without limitation the rate or rates of interest, if any, thereon, the Stated Maturity or Maturities thereof and the redemption provisions, if any, with respect thereto, are to be determined by the Company or its agents from time to time subsequent to the initial request for the authentication and delivery of such Securities by the Trustee, all as contemplated in Section 301 and clause (b) of Section 303.

"PERSON" means any individual, corporation, partnership, limited liability partnership, limited liability company, joint venture, trust or unincorporated organization or any Governmental Authority.

"PLACE OF PAYMENT", when used with respect to the Securities of any series, or any Tranche thereof, means the place or places, specified as contemplated by Section 301, at which, subject to Section 502, principal of and premium, if any, and interest, if any, on the Securities of such series or Tranche are payable.

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

"REDEMPTION DATE", when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to this



Indenture.

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

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

"REQUIRED CURRENCY" has the meaning specified in Section 311.

"RESPONSIBLE OFFICER", when used with respect to the Trustee, means any officer of the Trustee assigned by the Trustee to administer its corporate trust matters.

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

"SECURITY REGISTER" and "SECURITY REGISTRAR" have the respective meanings specified in Section 305.

"SENIOR INDEBTEDNESS" means, with respect to any Person (a) indebtedness (including premium, if any, and interest, if any, thereon) of such Person for money borrowed or for the deferred purchase price of property or services; (b) all other indebtedness (including premium, if any, and interest, if any, thereon) evidenced by bonds, debentures, notes or other similar instruments (other than Securities) issued by such Person; (c) all obligations of such Person under lease agreements designating such Person as lessee, irrespective of the treatment of any such lease agreement for accounting, tax or other purposes; (d) all obligations of such Person for reimbursement (including premium, if any, and interest, if any thereon) in respect of any letter of credit, banker's acceptance, security purchase facility or similar credit transaction; (e) all obligations of the character referred to in clauses (a) through (d) above of other Persons for the payment of which such Person is responsible or liable as obligor, guarantor or otherwise; and (f) all obligations of the character referred to in clauses (a) through (d) above of other Persons secured by any lien on any property or asset of such Person (whether or not such obligation is assumed by such Person); provided, however, that Senior Indebtedness shall not include (x) any such indebtedness that is by its terms subordinated to or pari passu with the Securities or (y) any indebtedness between or among such Person and its Affiliates, including all other debt securities and guarantees in respect of such debt securities, issued to (i) any Washington Water Power Trust or (ii) any other trust, or a trustee of such trust, partnership or other entity which is a financing vehicle of such Person in connection with the issuance by such financing vehicle of preferred securities.

"SPECIAL RECORD DATE" for the payment of any Unpaid Interest on the Securities of any series means a date fixed by the Trustee pursuant to Section 307.

"STATED INTEREST RATE" means a rate (whether fixed or variable) at which an obligation by its terms is stated to bear simple interest. Any calculation or other determination to be made under this Indenture by reference to the Stated Interest Rate on an obligation shall be made (a) if the Company's obligations in respect of any other indebtedness shall be evidenced or secured in whole or in part by such obligation, by reference to the lower of the Stated Interest Rate on such obligation and the Stated Interest Rate on such other indebtedness and (b) without regard to the effective interest cost to the Company of such obligation or of any such other indebtedness.

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

"SUCCESSOR CORPORATION" has the meaning set forth in Section 1001.

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

"TRUST INDENTURE ACT" means, as of any time, the Trust Indenture Act of 1939, or any successor statute, as in effect at such time.

"TRUST SECURITIES", with respect to a Washington Water Power

Trust, means the securities issued by such trust, as established in the Declaration of such trust.

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

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

"UNPAID INTEREST" has the meaning specified in Section 307.

"WASHINGTON WATER POWER TRUST" means each of Washington Water Power Capital I, Washington Water Power Capital II and Washington Water Power Capital III, each a business trust established under the laws of the State of Delaware, and any other similar trust established for the purpose of issuing securities upon the issuance and delivery to it of Securities.

#### SECTION 102. COMPLIANCE CERTIFICATES AND OPINIONS.

Except as otherwise expressly provided in this Indenture, upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officer's Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, it being understood that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(a) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of each such individual, such individual has made such examination or investigation as is necessary to enable such individual to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

#### SECTION 103. CONTENT AND FORM OF DOCUMENTS DELIVERED TO TRUSTEE.

(a) Any Officer's Certificate may be based (without further examination or investigation), insofar as it relates to or is dependent upon legal matters, upon an opinion of, or representations by, counsel, unless, in any case, such officer has actual knowledge that the certificate or opinion or representations with respect to the matters upon which such Officer's Certificate may be based as aforesaid are erroneous.

Any Opinion of Counsel may be based (without further examination or investigation), insofar as it relates to or is dependent upon factual matters, information with respect to which is in the possession of the Company, upon a certificate of, or representations by, an officer or officers of the Company, unless such counsel has actual knowledge that the certificate or opinion or representations with respect to the matters upon which his opinion may be based as aforesaid are erroneous. In addition, any Opinion of Counsel may be based (without further examination or investigation), insofar as it relates to or is dependent upon matters covered in an Opinion of Counsel rendered by other counsel, upon such other Opinion of Counsel, unless such counsel has actual knowledge that the Opinion of Counsel rendered by such other counsel with respect to the matters upon which his Opinion of Counsel may be based as aforesaid are erroneous. If, in order to render any Opinion of Counsel provided for

herein, the signer thereof shall deem it necessary that additional facts or matters be stated in any Officer's Certificate provided for herein, then such certificate may state all such additional facts or matters as the signer of such Opinion of Counsel may request.

(b) In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents. Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

(c) Whenever, subsequent to the receipt by the Trustee of any Board Resolution, Officer's Certificate, Opinion of Counsel or other document or instrument, a clerical, typographical or other inadvertent or unintentional error or omission shall be discovered therein, a new document or instrument may be substituted therefor in corrected form with the same force and effect as if originally filed in the corrected form and, irrespective of the date or dates of the actual execution and/or delivery thereof, such substitute document or instrument shall be deemed to have been executed and/or delivered as of the date or dates required with respect to the document or instrument for which it is substituted. Anything in this Indenture to the contrary notwithstanding, if any such corrective document or instrument indicates that action has been taken by or at the request of the Company which could not have been taken had the original document or instrument not contained such error or omission, the action so taken shall not be invalidated or otherwise rendered ineffective but shall be and remain in full force and effect, except to the extent that such action was a result of willful misconduct or bad faith. Without limiting the generality of the foregoing, any Securities issued under the authority of such defective document or instrument shall nevertheless be the valid obligations of the Company entitled to the benefits provided by this Indenture equally and ratably with all other Outstanding Securities, except as aforesaid.

#### SECTION 104. ACTS OF HOLDERS.

(a) Any request, demand, authorization, direction, notice, consent, election, waiver or other action provided by this Indenture to be made, given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing or, alternatively, may be embodied in and evidenced by the record of Holders voting in favor thereof, either in person or by proxies duly appointed in writing, at any meeting of Holders duly called and held in accordance with the provisions of Article Twelve, or a combination of such instruments and any such record. Except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments or record or both are delivered to the Trustee and, where it is hereby expressly required, to the Company. Such instrument or instruments and any such record (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "ACT" of the Holders signing such instrument or instruments and so voting at any such meeting. Proof of execution of any such instrument or of a writing appointing any such agent, or of the holding by any Person of a Security, shall be sufficient for any purpose of this Indenture and (subject to Section 801) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section. The record of any meeting of Holders shall be proved in the manner provided in Section 1206.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof or may be proved in any other manner which the Trustee and the Company deem sufficient. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority.

(c) The ownership, principal amount (except as otherwise contemplated in clause (y) of the first proviso to the definition of Outstanding) and serial numbers of Securities held by any Person, and the date of holding the same, shall be proved by the Security Register.

(d) Any request, demand, authorization, direction, notice, consent, election, waiver or other Act of a Holder shall bind every future

Holder of the same Security and the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

(e) Until such time as written instruments shall have been delivered to the Trustee with respect to the requisite percentage of principal amount of Securities for the action contemplated by such instruments, any such instrument executed and delivered by or on behalf of a Holder may be revoked with respect to any or all of such Securities by written notice by such Holder or any subsequent Holder, proven in the manner in which such instrument was proven.

(f) Securities of any series, or any Tranche thereof, authenticated and delivered after any Act of Holders may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any action taken by such Act of Holders. If the Company shall so determine, new Securities of any series, or any Tranche thereof, so modified as to conform, in the opinion of the Trustee and the Company, to such action may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities of such series or Tranche.

(g) The Company may, at its option, by Company Order, fix in advance a record date for the determination of Holders entitled to give any request, demand, authorization, direction, notice, consent, waiver or other Act solicited by the Company, but the Company shall have no obligation to do so; provided, however, that the Company may not fix a record date for the giving or making of any notice, declaration, request or direction referred to in the next sentence. In addition, the Trustee may, at its option, fix in advance a record date for the determination of Holders of Securities of any series entitled to join in the giving or making of any Notice of Default, any declaration of acceleration referred to in Section 702, any request to institute proceedings referred to in Section 707 or any direction referred to in Section 712, in each case with respect to Securities of such series. If any such record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other Act, or such notice, declaration, request or direction, may be given before or after such record date, but only the Holders of record at the close of business on the record date shall be deemed to be Holders for the purposes of determining (i) whether Holders of the requisite proportion of the Outstanding Securities have authorized or agreed or consented to such Act (and for that purpose the Outstanding Securities shall be computed as of the record date) and/or (ii) which Holders may revoke any such Act (notwithstanding subsection (e) of this Section); and any such Act, given as aforesaid, shall be effective whether or not the Holders which authorized or agreed or consented to such Act remain Holders after such record date and whether or not the Securities held by such Holders remain Outstanding after such record date.

#### SECTION 105. NOTICES, ETC. TO TRUSTEE AND COMPANY.

Any request, demand, authorization, direction, notice, consent, election, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with, the Trustee by any Holder or by the Company, or the Company by the Trustee or by any Holder, shall be sufficient for every purpose hereunder (unless otherwise expressly provided herein) if the same shall be in writing and delivered personally to an officer or other responsible employee of the addressee, or transmitted by facsimile transmission, telex or other direct written electronic means to such telephone number or other electronic communications address as the parties hereto shall from time to time designate, or transmitted by registered mail, charges prepaid, to the applicable address set opposite such party's name below or to such other address as either party hereto may from time to time designate:

If to the Trustee, to:

Wilmington Trust Company  
Rodney Square North  
1100 North Market Street  
Wilmington, Delaware 19890  
Attention: Corporate Trust Administration  
Facsimile: (302) 651-1576

If to the Company, to:

The Washington Water Power Company  
1411 East Mission Avenue  
Spokane, Washington 99202

Any communication contemplated herein shall be deemed to have been made, given, furnished and filed if personally delivered, on the date of delivery, if transmitted by facsimile transmission, telex or other direct written electronic means, on the date of transmission, and if transmitted by registered mail, on the date of receipt.

SECTION 106. NOTICE TO HOLDERS OF SECURITIES; WAIVER.

Except as otherwise expressly provided herein, where this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given, and shall be deemed given, to Holders if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at the address of such Holder as it appears in the Security Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice to Holders by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders.

Any notice required by this Indenture may be waived in writing by the Person entitled to receive such notice, either before or after the event otherwise to be specified therein, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 107. CONFLICT WITH TRUST INDENTURE ACT.

If any provision of this Indenture limits, qualifies or conflicts with another provision hereof which is required or deemed to be included in this Indenture by, or is otherwise governed by, any provision of the Trust Indenture Act, such other provision shall control; and if any provision hereof otherwise conflicts with the Trust Indenture Act, the Trust Indenture Act shall control.

SECTION 108. EFFECT OF HEADINGS AND TABLE OF CONTENTS.

The Article and Section headings in this Indenture and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 109. SUCCESSORS AND ASSIGNS.

All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

SECTION 110. SEPARABILITY CLAUSE.

In case any provision in this Indenture or the Securities shall be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 111. BENEFITS OF INDENTURE.

Nothing in this Indenture or the Securities, express or implied, shall give to any Person, other than the parties hereto, their successors hereunder and the Holders and, to the extent provided in Sections 104(a) and 716, registered holders of Trust Securities (other than Trust Securities initially issued and sold to the Company) and, so long as the notice described in Section 1413 shall not have been given, holders of Senior Indebtedness, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 112. GOVERNING LAW.

This Indenture and the Securities 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 Trust Indenture Act shall be applicable.

SECTION 113. LEGAL HOLIDAYS.

In any case where any Interest Payment Date, Redemption Date or Stated Maturity of any Security shall not be a Business Day at any Place of Payment, then (notwithstanding any other provision of this Indenture or of the Securities other than a provision in Securities of any series, or any Tranche thereof, or in the indenture supplemental hereto, Board Resolution or Officer's Certificate which establishes the terms of the Securities of such series or Tranche, which specifically states that such provision shall apply in lieu of this Section) payment of interest or principal and premium, if any, need not be made at such Place of Payment on such date, but may be made on the next succeeding Business Day at such Place of Payment with the same force and effect as if made on the Interest Payment Date or Redemption Date, or at the Stated Maturity, and, if such payment is made or duly provided for on such Business Day, no interest shall accrue on the amount so payable for the period from and after such Interest Payment Date, Redemption Date or Stated Maturity, as the case may be, to such Business Day.

ARTICLE TWO

SECURITY FORMS

SECTION 201. FORMS GENERALLY.

The definitive Securities of each series shall be in substantially the form or forms established in the indenture supplemental hereto establishing such series, or in a Board Resolution establishing such series, or in an Officer's Certificate pursuant to such a supplemental indenture or Board Resolution, in any case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such Securities, as evidenced by their execution of the Securities. If the form or forms of Securities of any series are established in a Board Resolution or in an Officer's Certificate pursuant to a Board Resolution, such Board Resolution and Officer's Certificate, if any, shall be delivered to the Trustee at or prior to the delivery of the Company Order contemplated by Section 303 for the authentication and delivery of such Securities.

The Securities of each series shall be issuable in registered form without coupons. The definitive Securities shall be produced in such manner as shall be determined by the officers executing such Securities, as evidenced by their execution thereof.

SECTION 202. FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION.

The Trustee's certificate of authentication shall be in substantially the form set forth below:

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

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

By: \_\_\_\_\_  
Authorized Officer

ARTICLE THREE

THE SECURITIES

SECTION 301. AMOUNT UNLIMITED; ISSUABLE IN SERIES.

The aggregate principal amount of Securities which may be authenticated and delivered under this Indenture is unlimited.

The Securities may be issued in one or more series. Subject to the last paragraph of this Section, prior to the authentication and delivery of Securities of any series there shall be established by specification in a supplemental indenture or in a Board Resolution, or in an Officer's Certificate pursuant to a supplemental indenture or a Board Resolution:

(a) the title of the Securities of such series (which shall distinguish the Securities of such series from Securities of all other series);

(b) any limit upon the aggregate principal amount of the Securities of such series which may be authenticated and delivered under this Indenture (except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities of such series pursuant to Section 304, 305, 306, 406 or 1106 and except for any Securities which, pursuant to Section 303, are deemed never to have been authenticated and delivered hereunder);

(c) the Persons (without specific identification) to whom interest on Securities of such series, or any Tranche thereof, shall be payable, if other than the Persons in whose names such Securities (or one or more Predecessor Securities) are registered at the close of business on the Regular Record Date for such interest;

(d) the date or dates on which the principal of the Securities of such series, or any Tranche thereof, is payable or any formulary or other method or other means by which such date or dates shall be determined, by reference to an index or other fact or event ascertainable outside of this Indenture or otherwise (without regard to any provisions for redemption, prepayment, acceleration, purchase or extension); and the right, if any, to extend the Maturity of the Securities of such series, or any Tranche thereof, and the duration of any such extension;

(e) the rate or rates at which the Securities of such series, or any Tranche thereof, shall bear interest, if any (including the rate or rates at which overdue principal shall bear interest, if different from the rate or rates at which such Securities shall bear interest prior to Maturity, and, if applicable, the rate or rates at which overdue premium or interest shall bear interest, if any), or any formulary or other method or other means by which such rate or rates shall be determined, by reference to an index or other fact or event ascertainable outside of this Indenture or otherwise; the date or dates from which such interest shall accrue; the Interest Payment Dates on which such interest shall be payable and the Regular Record Date, if any, for the interest payable on such Securities on any Interest Payment Date; the basis of computation of interest, if other than as provided in Section 310; and the right, if any, to extend the interest payment periods and the duration of any such extension;

(f) the place or places at which and/or the methods (if other than as provided elsewhere in this Indenture) by which (i) the principal of and premium, if any, and interest, if any, on Securities of such series, or any Tranche thereof, shall be payable, (ii) registration of transfer of Securities of such series, or any Tranche thereof, may be effected, (iii) exchanges of Securities of such series, or any Tranche thereof, may be effected and (iv) notices and demands to or upon the Company in respect of the Securities of such series, or any Tranche thereof, and this Indenture may be served; the Security Registrar and any Paying Agent or Agents for such series or Tranche; and, if such is the case, that the principal of such Securities shall be payable without the presentment or surrender thereof;

(g) the period or periods within which or the date or dates on which, the price or prices at which and the terms and conditions upon which the Securities of such series, or any Tranche thereof, may be redeemed, in whole or in part, at the option of the Company;

(h) the obligation or obligations, if any, of the Company to redeem or purchase the Securities of such series, or any Tranche thereof, pursuant to any sinking fund or other mandatory redemption provisions or at the option of a Holder thereof and the period or periods within which or the date or dates on which, the price or prices at which and the terms and conditions upon which such Securities shall be redeemed or purchased, in whole or in part, pursuant to such obligation, and applicable exceptions to the requirements of Section 404 in the case of mandatory redemption or redemption at the option of the Holder;

(i) the denominations in which Securities of such series, or any Tranche thereof, shall be issuable if other than

denominations of One Thousand Dollars (\$1,000) and any integral multiple thereof (in the case of Securities issued to a Washington Water Power Trust or a trustee of such trust in connection with the issuance of Trust Securities by such Washington Water Power Trust, the denomination in which such Securities shall be issuable if other than denominations of Twenty-Five Dollars (\$25) and any integral multiple thereof);

(j) the currency or currencies, including composite currencies, in which payment of the principal of and premium, if any, and interest, if any, on the Securities of such series, or any Tranche thereof, shall be payable (if other than in Dollars);

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

(l) if the principal of or premium, if any, or interest, if any, on the Securities of such series, or any Tranche thereof, are to be payable, or are to be payable at the election of the Company or a Holder thereof, in securities or other property, the type and amount of such securities or other property, or the formulary or other method or other means 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;

(m) if the amount payable in respect of the principal of or premium, if any, or interest, if any, on the Securities of such series, or any Tranche thereof, 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 (to the extent not established pursuant to clause (e) of this paragraph);

(n) if other than the principal amount thereof, the portion of the principal amount of Securities of such series, or any Tranche thereof, which shall be payable upon declaration of acceleration of the Maturity thereof pursuant to Section 702;

(o) the terms, if any, pursuant to which the Securities of such series, or any Tranche thereof, may be converted into or exchanged for shares of capital stock or other securities of the Company or any other Person;

(p) the obligations or instruments, if any, which shall be considered to be Eligible Obligations in respect of the Securities of such series, or any Tranche thereof, denominated in a currency other than Dollars or in a composite currency, and any additional or alternative provisions for the reinstatement of the Company's indebtedness in respect of such Securities after the satisfaction and discharge thereof as provided in Section 601;

(q) if the Securities of such series, or any Tranche thereof, are to be issued in global form, (i) any limitations on the rights of the Holder or Holders of such Securities to transfer or exchange the same or to obtain the registration of transfer thereof, (ii) any limitations on the rights of the Holder or Holders thereof to obtain certificates therefor in definitive form in lieu of temporary form and (iii) any and all other matters incidental to such Securities;

(r) if the Securities of such series, or any Tranche thereof, are to be issuable as bearer securities, any and all matters incidental thereto which are not specifically addressed in a supplemental indenture as contemplated by clause (f) of Section 1101;

(s) to the extent not established pursuant to clause (q) of this paragraph, any limitations on the rights of the Holders of the Securities of such Series, or any Tranche thereof, to transfer or exchange such Securities or to obtain the registration of transfer thereof; and if a service charge will be made for the registration of transfer or exchange of Securities of such series, or any Tranche thereof, the amount or terms thereof;



(t) any exceptions to Section 113, or variation in the definition of Business Day, with respect to the Securities of such series, or any Tranche thereof; and

(u) any other terms of the Securities of such series, or any Tranche thereof.

With respect to Securities of a series subject to a Periodic Offering, the indenture supplemental hereto or the Board Resolution which establishes such series, or the Officer's Certificate pursuant to such supplemental indenture or Board Resolution, as the case may be, may provide general terms or parameters for Securities of such series and provide either that the specific terms of Securities of such series, or any Tranche thereof, shall be specified in a Company Order or that such terms shall be determined by the Company or its agents in accordance with procedures specified in a Company Order as contemplated by clause (b) of Section 303.

Anything herein to the contrary notwithstanding, the Trustee shall be under no obligation to authenticate and deliver Securities of any series the terms of which, established as contemplated by this Section, would affect the rights, duties, obligations, liabilities or immunities of the Trustee under this Indenture or otherwise.

#### SECTION 302. DENOMINATIONS.

Unless otherwise provided as contemplated by Section 301 with respect to any series of Securities, or any Tranche thereof, the Securities of each series shall be issuable in denominations of One Thousand Dollars (\$1,000) and any integral multiple thereof (in the case of securities issued to a Washington Water Power Trust or a trustee of such trust in connection with the issuance of Trust Securities by such Washington Water Power Trust, the Securities of each series shall be issuable in denominations of Twenty-Five Dollars (\$25) and any integral multiple thereof).

#### SECTION 303. EXECUTION, DATING, CERTIFICATE OF AUTHENTICATION.

Unless otherwise provided as contemplated by Section 301 with respect to any series of Securities, or any Tranche thereof, the Securities shall be executed on behalf of the Company by an Authorized Officer, and may have the corporate seal of the Company affixed thereto or reproduced thereon and attested by any other Authorized Officer. The signature of any or all of these officers on the Securities may be manual or facsimile.

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

The Trustee shall authenticate and deliver Securities of a series, for original issue, at one time or from time to time in accordance with the Company Order referred to below, upon receipt by the Trustee of:

(a) the instrument or instruments establishing the form or forms and terms of such series, as provided in Sections 201 and 301;

(b) a Company Order requesting the authentication and delivery of such Securities and, to the extent that the terms of such Securities shall not have been established in an indenture supplemental hereto or in a Board Resolution, or in an Officer's Certificate pursuant to a supplemental indenture or Board Resolution, all as contemplated by Sections 201 and 301, either (i) establishing such terms or (ii) in the case of Securities of a series subject to a Periodic Offering, specifying 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), in either case in accordance with the instrument or instruments delivered pursuant to clause (a) above;

(c) the Securities of such series, executed on behalf of the Company by an Authorized Officer;

(d) an Opinion of Counsel to the effect that:

(i) the form or forms of such Securities have been

duly authorized by the Company and have been established in conformity with the provisions of this Indenture;

(ii) the terms of such Securities have been duly authorized by the Company and have been established in conformity with the provisions of this Indenture; and

(iii) when such Securities shall have been authenticated and delivered by the Trustee and issued and delivered by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, such Securities will constitute valid obligations of the Company, entitled to the benefits provided by this Indenture equally and ratably with all other Securities then Outstanding;

provided, however, that, with respect to Securities of a series subject to a Periodic Offering, the Trustee shall be entitled to receive such Opinion of Counsel only once at or prior to the time of the first authentication and delivery of such Securities (provided that such Opinion of Counsel addresses the authentication and delivery of all Securities of such series) and that, in lieu of the opinions described in clauses (ii) and (iii) above, Counsel may opine that:

(x) when the terms of such Securities shall have been established pursuant to a Company Order or Orders or pursuant to such procedures as may be specified from time to time by a Company Order or Orders, all as contemplated by and in accordance with the instrument or instruments delivered pursuant to clause (a) above, such terms will have been duly authorized by the Company and will have been established in conformity with the provisions of this Indenture; and

(y) when such Securities shall have been authenticated and delivered by the Trustee in accordance with this Indenture and the Company Order or Orders or the specified procedures referred to in paragraph (x) above and issued and delivered by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, such Securities will constitute valid obligations of the Company, entitled to the benefits provided by this Indenture equally and ratably with all other Securities then Outstanding.

With respect to Securities of a series subject to a Periodic Offering, the Trustee may conclusively rely, as to the authorization by the Company of any of such Securities, the forms and terms thereof, the validity thereof and the compliance of the authentication and delivery thereof with the terms and conditions of this Indenture, upon the Opinion or Opinions of Counsel and the certificates and other documents delivered pursuant to this Article at or prior to the time of the first authentication and delivery of Securities of such series until any of such opinions, certificates or other documents have been superseded or revoked or expire by their terms. In connection with the authentication and delivery of Securities of a series subject to a Periodic Offering, the Trustee shall be entitled to assume that the Company's instructions to authenticate and deliver such Securities do not violate any applicable law or any applicable rule, regulation or order of any Governmental Authority having jurisdiction over the Company.

If the form of terms of the Securities of any series have been established by or pursuant to a Board Resolution or an Officer's Certificate as permitted by Sections 201 or 301, the Trustee shall not be required to authenticate such Securities if the issuance of such Securities pursuant to this Indenture will affect the Trustee's own rights, duties or immunities under the Securities and this Indenture or otherwise in a manner which is not reasonably acceptable to the Trustee.

Unless otherwise specified as contemplated by Section 301 with respect to any series of Securities, or any Tranche thereof, each Security shall be dated the date of its authentication.

Unless otherwise specified as contemplated by Section 301 with respect to any series of Securities, or any Tranche thereof, no Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for herein executed by the Trustee or an Authenticating Agent by manual signature of an authorized officer thereof, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder and is entitled to the benefits

of this Indenture. Notwithstanding the foregoing, if (a) any Security shall have been authenticated and delivered hereunder to the Company, or any Person acting on its behalf, but shall never have been issued and sold by the Company, (b) the Company shall deliver such Security to the Security Registrar for cancellation or shall cancel such Security and deliver evidence of such cancellation to the Trustee, in each case as provided in Section 309, and (c) the Company, at its election, shall deliver to the Trustee a written statement (which need not comply with Section 102 and need not be accompanied by an Officer's Certificate or an Opinion of Counsel) stating that such Security has never been issued and sold by the Company, then, for all purposes of this Indenture, such Security shall be deemed never to have been authenticated and delivered hereunder and shall never be entitled to the benefits hereof.

#### SECTION 304. TEMPORARY SECURITIES.

Pending the preparation of definitive Securities of any series, or any Tranche thereof, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary Securities which are printed, lithographed, typewritten, mimeographed, photocopied or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued, with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as evidenced by their execution of such Securities; provided, however, that temporary Securities need not recite specific redemption, sinking fund, conversion or exchange provisions.

Except as otherwise specified as contemplated by Section 301 with respect to the Securities of any series, or any Tranche thereof, after the preparation of definitive Securities of such series or Tranche, the temporary Securities of such series or Tranche shall be exchangeable, without charge to the Holder thereof, for definitive Securities of such series or Tranche upon surrender of such temporary Securities at the office or agency of the Company maintained pursuant to Section 502 in a Place of Payment for such Securities. Upon such surrender of temporary Securities, the Company shall, except as aforesaid, execute and the Trustee shall authenticate and deliver in exchange therefor definitive Securities of the same series and Tranche, of authorized denominations and of like tenor and aggregate principal amount.

Until exchanged in full as hereinabove provided, temporary Securities shall in all respects be entitled to the same benefits under this Indenture as definitive Securities of the same series and Tranche and of like tenor authenticated and delivered hereunder.

#### SECTION 305. REGISTRATION, REGISTRATION OF TRANSFER AND EXCHANGE.

The Company shall cause to be kept in one of the offices designated pursuant to Section 502, with respect to the Securities of each series, or any Tranche thereof, a register (the "SECURITY REGISTER") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Securities of such series or Tranche and the registration of transfer thereof. The Company shall designate one Person to maintain the Security Register for the Securities of each series and such Person is referred to herein, with respect to such series, as the "SECURITY REGISTRAR". Anything herein to the contrary notwithstanding, the Company may designate one or more of its offices as an office in which a register with respect to the Securities of one or more series, or any Tranche or Tranches thereof, shall be maintained, and the Company may designate itself the Security Registrar with respect to one or more of such series. The Security Register shall be open for inspection by the Trustee and the Company at all reasonable times.

Except as otherwise specified as contemplated by Section 301 with respect to the Securities of any series, or any Tranche thereof, upon surrender for registration of transfer of any Security of such series or Tranche at the office or agency of the Company maintained pursuant to Section 502 in a Place of Payment for such series or Tranche, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of the same series and Tranche, of authorized denominations and of like tenor and aggregate principal amount.

Except as otherwise specified as contemplated by Section 301 with respect to the Securities of any series, or any Tranche thereof, any Security of such series or Tranche may be exchanged at the option of the Holder, for one or more new Securities of the same series and Tranche, of authorized denominations and of like tenor and aggregate principal amount, upon surrender of the Securities to be exchanged at any such office or agency. Whenever any Securities are so surrendered for exchange, the

Company shall execute, and the Trustee shall authenticate and deliver, the Securities which the Holder making the exchange is entitled to receive.

All Securities delivered upon any registration of transfer or exchange of Securities shall be valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of transfer or exchange.

Every Security presented or surrendered for registration of transfer or for exchange shall (if so required by the Company, the Trustee or the Security Registrar) be duly endorsed or shall be accompanied by a written instrument of transfer in form satisfactory to the Company, the Trustee or the Security Registrar, as the case may be, duly executed by the Holder thereof or his attorney duly authorized in writing.

Unless otherwise specified as contemplated by Section 301 with respect to Securities of any series, or any Tranche thereof, no service charge shall be made for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Securities, other than exchanges pursuant to Section 304, 406 or 1106 not involving any transfer.

The Company shall not be required to execute or to provide for the registration of transfer of or the exchange of (a) Securities of any series, or any Tranche thereof, during a period of fifteen (15) days immediately preceding the date notice is to be given identifying the serial numbers of the Securities of such series or Tranche called for redemption or (b) any Security so selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part.

#### SECTION 306. MUTILATED, DESTROYED, LOST AND STOLEN SECURITIES.

If any mutilated Security is surrendered to the Trustee, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Security of the same series and Tranche, and of like tenor and principal amount and bearing a number not contemporaneously outstanding.

If there shall be delivered to the Company and the Trustee (a) evidence to their satisfaction of the ownership of and the destruction, loss or theft of any Security and (b) such security or indemnity as may be reasonably required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Security is held by a Person purporting to be the owner of such Security, the Company shall execute and the Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Security, a new Security of the same series and Tranche, and of like tenor and principal amount and bearing a number not contemporaneously outstanding.

Notwithstanding the foregoing, in case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion may, but subject to compliance with the foregoing conditions, instead of issuing a new Security, pay such Security.

Upon the issuance of any new Security under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other reasonable expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security of any series issued pursuant to this Section in lieu of any destroyed, lost or stolen Security shall constitute an additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone other than the Holder of such new Security, and any such new Security shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities of such series duly issued hereunder.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

#### SECTION 307. PAYMENT OF INTEREST; INTEREST RIGHTS PRESERVED.

Unless otherwise specified as contemplated by Section 301 with respect to the Securities of any series, or any Tranche thereof, interest

on any Security which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest.

Any interest on any Security of any series which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date, including without limitation interest the payment period for which has been extended as specified with respect to such series as contemplated by Section 301 (herein called "UNPAID INTEREST"), shall forthwith cease to be payable to the Holder on the related Regular Record Date by virtue of having been such Holder, and such Unpaid Interest may be paid by the Company, at its election in each case, as provided in clause (a) or (b) below:

(a) The Company may elect to make payment of any Unpaid Interest to the Persons in whose names the Securities of such series (or their respective Predecessor Securities) are registered at the close of business on a date (herein called a "SPECIAL RECORD DATE") for the payment of such Unpaid Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Unpaid Interest proposed to be paid on each Security of such series and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Unpaid Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Unpaid Interest as in this clause provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Unpaid Interest which shall be not more than thirty (30) days and not less than ten (10) days prior to the date of the proposed payment and not less than twenty-five (25) days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall, not less than fifteen (15) days prior to such Special Record Date, cause notice of the proposed payment of such Unpaid Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder of Securities of such series at the address of such Holder as it appears in the Security Register. Notice of the proposed payment of such Unpaid Interest and the Special Record Date therefor having been so mailed, such Unpaid Interest shall be paid to the Persons in whose names the Securities of such series (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date.

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

Subject to the foregoing provisions of this Section and Section 305, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

#### SECTION 308. PERSONS DEEMED OWNERS.

The Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name any Security is registered as the absolute owner of such Security for the purpose of receiving payment of principal of and premium, if any, and (subject to Sections 305 and 307) interest, if any, on such Security and for all other purposes whatsoever, whether or not such Security be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

#### SECTION 309. CANCELLATION BY SECURITY REGISTRAR.

All Securities surrendered for payment, redemption, registration of transfer or exchange shall, if surrendered to any Person other than the Security Registrar, be delivered to the Security Registrar and, if not theretofore canceled, shall be promptly canceled by the Security Registrar.

The Company may at anytime deliver to the Security Registrar for cancellation any Securities previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever or which the Company shall not have issued and sold, and all Securities so delivered shall be promptly canceled by the Security Registrar. All canceled Securities held by the Security Registrar shall be disposed of in accordance with a Company Order delivered to the Security Registrar and the Trustee, and the Security Registrar shall promptly deliver a certificate of disposition to the Trustee and the Company unless, by a Company Order, similarly delivered, the Company shall direct that canceled Securities be returned to it. The Security Registrar shall promptly deliver evidence of any cancellation of a Security in accordance with this Section 309 to the Trustee and the Company.

#### SECTION 310. COMPUTATION OF INTEREST.

Except as otherwise specified as contemplated by Section 301 for Securities of any series, or any Tranche thereof, interest on the Securities of each series shall be computed on the basis of a three hundred sixty (360) day year consisting of twelve (12) thirty (30) day months and, with respect to any period less than a full calendar month, on the basis of the actual number of days elapsed during such period.

#### SECTION 311. PAYMENT TO BE IN PROPER CURRENCY.

In the case of the Securities of any series, or any Tranche thereof, denominated in any currency other than Dollars or in a composite currency (the "REQUIRED CURRENCY"), except as otherwise specified with respect to such Securities as contemplated by Section 301, the obligation of the Company to make any payment of the principal thereof, or the premium, if any, or interest, if any, thereon, 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 may take such actions as it considers appropriate to exchange such currency for the Required Currency. 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 shortfall or delinquency in the full amount of Required Currency then due and payable, and in no circumstances shall the Trustee be liable therefor except in the case of its negligence or willful misconduct.

### ARTICLE FOUR

#### REDEMPTION OF SECURITIES

##### SECTION 401. APPLICABILITY OF ARTICLE.

Securities of any series, or any Tranche thereof, which are redeemable before their Stated Maturity shall be redeemable in accordance with their terms and (except as otherwise specified as contemplated by Section 301 for Securities of such series or Tranche) in accordance with this Article.

##### SECTION 402. ELECTION TO REDEEM; NOTICE TO TRUSTEE.

The election of the Company to redeem any Securities shall be evidenced by a Board Resolution or an Officer's Certificate. The Company shall, at least forty-five (45) days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee in writing of such Redemption Date and of the principal amount of such Securities to be redeemed. In the case of any redemption of Securities (a) prior to the expiration of any restriction on such redemption provided in the terms of such Securities or elsewhere in this Indenture or (b) pursuant to an election of the Company which is subject to a condition specified in the terms of such Securities, the Company shall furnish the Trustee with an Officer's Certificate evidencing compliance with such restriction or condition.

##### SECTION 403. SELECTION OF SECURITIES TO BE REDEEMED.

If less than all the Securities of any series, or any Tranche thereof, are to be redeemed, the particular Securities to be redeemed shall be selected by the Security Registrar from the Outstanding Securities of such series or Tranche not previously called for redemption, by such method as shall be provided for any particular series or Tranche, or, in the absence of any such provision, by such method of random selection as the Security Registrar shall deem fair and appropriate and which may, in any

case, provide for the selection for redemption of portions (equal to the minimum authorized denomination for Securities of such series or Tranche or any integral multiple thereof) of the principal amount of Securities of such series or Tranche having a denomination larger than the minimum authorized denomination for Securities of such series or Tranche; provided, however, that if, as indicated in an Officer's Certificate, the Company shall have offered to purchase all or any principal amount of the Securities then Outstanding of any series, or any Tranche thereof, and less than all of such Securities as to which such offer was made shall have been tendered to the Company for such purchase, the Security Registrar, if so directed by Company Order, shall select for redemption all or any principal amount of such Securities which have not been so tendered.

The Security Registrar shall promptly notify the Company and the Trustee in writing of the Securities selected for redemption and, in the case of any Securities selected to be redeemed in part, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Securities redeemed or to be redeemed only in part, to the portion of the principal amount of such Securities which has been or is to be redeemed.

#### SECTION 404. NOTICE OF REDEMPTION.

Notice of redemption shall be given in the manner provided in Section 106 to the Holders of the Securities to be redeemed not less than thirty (30) nor more than sixty (60) days prior to the Redemption Date.

All notices of redemption shall state:

- (a) the Redemption Date,
- (b) the Redemption Price,
- (c) if less than all the Securities of any series or Tranche are to be redeemed, the identification of the particular Securities to be redeemed and the portion of the principal amount of any Security to be redeemed in part,
- (d) that on the Redemption Date the Redemption Price, together with accrued interest, if any, to the Redemption Date, will become due and payable upon each such Security to be redeemed and, if applicable, that interest thereon will cease to accrue on and after said date,
- (e) the place or places where such Securities are to be surrendered for payment of the Redemption Price and accrued interest, if any, unless it shall have been specified as contemplated by Section 301 with respect to such Securities that such surrender shall not be required,
- (f) that the redemption is for a sinking or other fund, if such is the case, and
- (g) such other matters as the Company shall deem desirable or appropriate.

With respect to any notice of redemption of Securities at the election of the Company, unless, upon the giving of such notice, such Securities shall be deemed to have been paid in accordance with Section 601, such notice may state that such redemption shall be conditional upon the receipt by the Paying Agent or Agents for such Securities, on or prior to the date fixed for such redemption, of money sufficient to pay the principal of and premium, if any, and interest, if any, on such Securities and that if such money shall not have been so received such notice shall be of no force or effect and the Company shall not be required to redeem such Securities. In the event that such notice of redemption contains such a condition and such money is not so received, the redemption shall not be made and within a reasonable time thereafter notice shall be given, in the manner in which the notice of redemption was given, that such money was not so received and such redemption was not required to be made, and the Paying Agent or Agents for the Securities otherwise to have been redeemed shall promptly return to the Holders thereof any of such Securities which had been surrendered for payment upon such redemption.

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

Company. Notice of mandatory redemption of Securities shall be given by the Security Registrar in the name and at the expense of the Company.

#### SECTION 405. SECURITIES PAYABLE ON REDEMPTION DATE.

Notice of redemption having been given as aforesaid, and the conditions, if any, set forth in such notice having been satisfied, the Securities or portions thereof so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless, in the case of an unconditional notice of redemption, the Company shall default in the payment of the Redemption Price and accrued interest, if any) such Securities or portions thereof, if interest-bearing, shall cease to bear interest. Upon surrender of any such Security for redemption in accordance with such notice, such Security or portion thereof shall be paid by the Company at the Redemption Price, together with accrued interest, if any, to the Redemption Date; provided, however, that no such surrender shall be a condition to such payment if so specified as contemplated by Section 301 with respect to such Security; and provided, further, that, except as otherwise specified as contemplated by Section 301 with respect to such Security, any installment of interest on any Security the Stated Maturity of which installment is on or prior to the Redemption Date shall be payable to the Holder of such Security, or one or more Predecessor Securities, registered as such at the close of business on the related Regular Record Date according to the terms of such Security and subject to the provisions of Section 307.

#### SECTION 406. SECURITIES REDEEMED IN PART.

Upon the surrender of any Security which is to be redeemed only in part at a Place of Payment therefor (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing), the Company shall execute, and the Trustee shall authenticate and deliver to the Holder of such Security, without service charge, a new Security or Securities of the same series and Tranche, of any authorized denomination requested by such Holder and of like tenor and in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Security so surrendered.

### ARTICLE FIVE

#### COVENANTS

#### SECTION 501. PAYMENT OF SECURITIES.

The Company shall pay the principal of and premium, if any, and interest, if any, on the Securities of each series in accordance with the terms of such Securities and this Indenture.

#### SECTION 502. MAINTENANCE OF OFFICE OR AGENCY.

The Company shall maintain in each Place of Payment for the Securities of each series, or any Tranche thereof, an office or agency where payment of such Securities shall be made, where the registration of transfer or exchange of such Securities may be effected and where notices and demands to or upon the Company in respect of such Securities and this Indenture may be served. The Company shall give prompt written notice to the Trustee of the location, and any change in the location, of each such office or agency and prompt notice to the Holders of any such change in the manner specified in Section 106. If at any time the Company shall fail to maintain any such required office or agency in respect of Securities of any series, or any Tranche thereof, or shall fail to furnish the Trustee with the address thereof, payment of such Securities shall be made, registration of transfer or exchange thereof may be effected and notices and demands in respect thereof may be served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent for all such purposes in any such event.

The Company may also from time to time designate one or more other offices or agencies with respect to the Securities of one or more series, or any Tranche thereof, for any or all of the foregoing purposes and may from time to time rescind such designations; provided, however, that, unless otherwise specified as contemplated by Section 301 with respect to the Securities of such series or Tranche, no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency for such purposes in each Place of Payment for such Securities in accordance with the requirements set forth above. The Company shall give prompt written notice to the Trustee, and prompt notice to the Holders in the manner specified in Section 106, of any such designation or rescission and of any change in the location of any such



other office or agency.

Anything herein to the contrary notwithstanding, any office or agency required by this Section may be maintained at an office of the Company, in which event the Company shall perform all functions to be performed at such office or agency.

#### SECTION 503. MONEY FOR SECURITIES PAYMENTS TO BE HELD IN TRUST.

If the Company shall at any time act as its own Paying Agent with respect to the Securities of any series, or any Tranche thereof, it shall, on or before each due date of the principal of and premium, if any, and interest, if any, on any of such Securities, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal and premium or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided. The Company shall promptly notify the Trustee of any failure by the Company (or any other obligor on such Securities) to make any payment of principal of or premium, if any, or interest, if any, on such Securities.

Whenever the Company shall have one or more Paying Agents for the Securities of any series, or any Tranche thereof, it shall, on or before each due date of the principal of and premium, if any, and interest, if any, on such Securities, deposit with such Paying Agents sums sufficient (without duplication) to pay the principal and premium or interest so becoming due, such sums to be held in trust for the benefit of the Persons entitled to such principal, premium or interest, and (unless such Paying Agent is the Trustee) the Company shall promptly notify the Trustee of any failure by it so to act.

The Company shall cause each Paying Agent for the Securities of any series, or any Tranche thereof, other than the Company or the Trustee, to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent shall:

(a) hold all sums held by it for the payment of the principal of and premium, if any, or interest, if any, on such Securities in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(b) give the Trustee notice of any failure by the Company (or any other obligor upon such Securities) to make any payment of principal of or premium, if any, or interest, if any, on such Securities; and

(c) at any time during the continuance of any such failure, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent and furnish to the Trustee such information as it possesses regarding the names and addresses of the Persons entitled to such sums.

The Company may at any time pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent and, if so stated in a Company Order delivered to the Trustee, in accordance with the provisions of Article Six; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of and premium, if any, or interest, if any, on any Security and remaining unclaimed for two years after such principal and premium, if any, or interest, if any, has become due and payable shall be paid to the Company on Company Request, or, if then held by the Company, shall be discharged from such trust; and, upon such payment or discharge, the Holder of such Security shall, as an unsecured general creditor and not as the Holder of an Outstanding Security, look only to the Company for payment of the amount so due and payable and remaining unpaid (subject, however, to the provisions of Article Fourteen), and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such payment to the Company, may at the expense of the Company cause to be mailed, on one occasion only, notice to such Holder that such money remains unclaimed and that, after a date specified therein, which shall not be less than thirty (30) days from the date of such mailing, any unclaimed balance of such money then remaining will be paid to the Company.

SECTION 504. CORPORATE EXISTENCE.

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

SECTION 505. MAINTENANCE OF PROPERTIES.

The Company shall cause (or, with respect to property owned in common with others, make reasonable effort to cause) all its properties used or useful in the conduct of its businesses, considered as a whole, to be maintained and kept in good condition, repair and working order and shall cause (or, with respect to property owned in common with others, make reasonable effort to cause) to be made such repairs, renewals, replacements, betterments and improvements thereof, as, in the judgment of the Company, may be necessary in order that the operation of such properties, considered as a whole, may be conducted in accordance with common industry practice; provided, however, that nothing in this Section shall prevent the Company from discontinuing, or causing the discontinuance of, the operation and maintenance of any of its properties; and provided, further, that nothing in this Section shall prevent the Company from selling, transferring or otherwise disposing of, or causing the sale, transfer or other disposition of, any of its properties.

SECTION 506. WAIVER OF CERTAIN COVENANTS.

The Company may omit in any particular instance to comply with any term, provision or condition set forth in

(a) any covenant or restriction specified with respect to the Securities of any series, or any Tranche thereof, as contemplated by Section 301 if before the time for such compliance the Holders of a majority in aggregate principal amount of the Outstanding Securities of all series and Tranches with respect to which compliance with such covenant or restriction is to be omitted, considered as one class, shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such term, provision or condition; provided, however, that no such waiver shall be effective as to any matters contemplated in clause (a), (b) or (c) in Section 1102 without consent of the Holders specified in such Section; and

(b) Section 504 or 505 or Article Ten if before the time for such compliance the Holders of a majority in principal amount of Securities Outstanding under this Indenture shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such term, provision or condition;

but, in either case, no such waiver shall extend to or affect such term, provision or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee in respect of any such term, provision or condition shall remain in full force and effect; provided, however, so long as a Washington Water Power Trust holds Securities of any series, such trust may not waive compliance or waive any default in compliance by the Company with any covenant or other term contained in this Indenture or the Securities of such series without the approval of the holders of a majority in aggregate liquidation amount of the outstanding Trust Securities issued by such trust (other than Trust Securities initially issued and sold to the Company), obtained as provided in the Declaration establishing such trust.

SECTION 507. ANNUAL OFFICER'S CERTIFICATE AS TO COMPLIANCE.

Not later than December 1 in each year, commencing December 1, \_\_\_\_\_, the Company shall deliver to the Trustee an Officer's Certificate which need not comply with Section 102, executed by the principal executive officer, the principal financial officer or the principal accounting officer of the Company, as to such officer's knowledge of the Company's compliance with all conditions and covenants under this Indenture, such compliance to be determined without regard to any period of grace or requirement of notice under this Indenture.

SECTION 508. RESTRICTION ON PAYMENT OF DIVIDENDS, ETC.

If, at any time (a) there shall have occurred and be continuing an Event of Default described in clause (a) or (b) of Section 701 with

respect to the Securities of any series, (b) the Company shall have elected to extend any interest payment period as specified with respect to the Securities of any series, or any Tranche thereof, as contemplated by Section 301 and any such period, as so extended, shall be continuing, or (c) the Company shall be in default in respect of its payment or other obligations under the Guarantee relating to any Trust Securities (other than Trust Securities initially issued and sold to the Company), then the Company shall not (x) declare or pay any dividend on, make any distribution or liquidation payment with respect to, or redeem or purchase any of its capital stock, (y) make any payment of principal, premium, if any, or interest, if any, on or repay, repurchase or redeem any debt securities (including other Securities) that rank pari passu with or junior in right of payment to the Securities and (z) make any guarantee payments with respect to any of the foregoing (other than payments under the Guarantee relating to any of such Trust Securities); provided, however, that nothing in this Section shall be deemed to prohibit (i) dividends or distributions payable in shares of the Company's capital stock, (ii) reclassification of the Company's capital stock or exchange or conversion of shares of one class or series of the Company's capital stock into shares of another class or series of the Company's capital stock, (iii) purchases or other acquisitions of fractional interests in shares of the Company's capital stock and (iv) redemption, purchases or other acquisitions of the Company's capital stock in connection with the satisfaction by the Company of its obligations, under provisions of the Company's Restated Articles of Incorporation, as amended, under any direct purchase, dividend reinvestment, customer purchase or employee benefit plans or under any contract or security requiring the Company to purchase shares of its capital stock.

#### SECTION 509. WASHINGTON WATER POWER TRUSTS.

If Securities of any series are issued and delivered to a Washington Water Power Trust (or a trustee thereof) in connection with the issuance by such trust of Trust Securities, so long as such Trust Securities remain outstanding the Company shall (a) maintain 100% direct ownership, by the Company or any Affiliate thereof, of the Trust Securities initially issued and sold to the Company by such Washington Water Power Trust, except as otherwise provided in Section 1005, and (b) use all reasonable efforts to cause such Washington Water Power Trust (i) to maintain its existence as a business trust, except in connection with a distribution of Securities, with the redemption, purchase or other acquisition and retirement of all Trust Securities of such trust or with certain mergers, consolidations or other business combinations, in each case as permitted by the Declaration establishing such Washington Water Power Trust, and (ii) to otherwise continue not to be treated as an association taxable as a corporation for United States federal income tax purposes.

### ARTICLE SIX

#### SATISFACTION AND DISCHARGE

#### SECTION 601. SATISFACTION AND DISCHARGE OF SECURITIES.

Any Security or Securities, or any portion of the principal amount thereof, shall be deemed to have been paid for all purposes of this Indenture, and the entire indebtedness of the Company in respect thereof shall be satisfied and discharged, if there shall have been irrevocably deposited with the Trustee or any Paying Agent (other than the Company), in trust:

(a) money in an amount which shall be sufficient, or

(b) in the case of a deposit made prior to the Maturity of such Securities or portions thereof, Eligible Obligations, which shall not contain provisions permitting the redemption or other prepayment thereof at the option of the issuer thereof, the principal of and the interest on which when due, without any regard to reinvestment thereof, will provide moneys which, together with the money, if any, deposited with or held by the Trustee or such Paying Agent, shall be sufficient, or

(c) a combination of (a) or (b) which shall be sufficient,

to pay when due the principal of and premium, if any, and interest, if any, due and to become due on such Securities or portions thereof; provided, however, that in the case of the provision for payment or redemption of less than all the Securities of any series or Tranche, such Securities or portions thereof shall have been selected by the Security Registrar as

provided herein and, in the case of a redemption, the notice requisite to the validity of such redemption shall have been given or irrevocable authority shall have been given by the Company to the Trustee to give such notice, under arrangements satisfactory to the Trustee; and provided, further, that the Company shall have delivered to the Trustee and such Paying Agent:

(x) if such deposit shall have been made prior to the Maturity of such Securities, a Company Order stating that the money and Eligible Obligations deposited in accordance with this Section shall be held in trust, as provided in Section 603;

(y) if Eligible Obligations shall have been deposited, an Opinion of Counsel to the effect that such obligations constitute Eligible Obligations and do not contain provisions permitting the redemption or other prepayment thereof at the option of the issuer thereof, and an opinion of an independent public accountant of nationally recognized standing, selected by the Company, to the effect that the other requirements set forth in clause (b) above have been satisfied; and

(z) if such deposit shall have been made prior to the Maturity of such Securities, an Officer's Certificate stating the Company's intention that, upon delivery of such Officer's Certificate, its indebtedness in respect of such Securities or portions thereof will have been satisfied and discharged as contemplated in this Section.

Upon the deposit of money or Eligible Obligations, or both, in accordance with this Section, together with the documents required by clauses (x), (y) and (z) above, the Trustee shall, upon Company Request, acknowledge in writing that such Securities or portions thereof are deemed to have been paid for all purposes of this Indenture and that the entire indebtedness of the Company in respect thereof has been satisfied and discharged as contemplated in this Section. In the event that all of the conditions set forth in the preceding paragraph shall have been satisfied in respect of any Securities or portions thereof except that, for any reason, the Officer's Certificate specified in clause (z) (if otherwise required) shall not have been delivered, such Securities or portions thereof shall nevertheless be deemed to have been paid for all purposes of this Indenture, and the Holders of such Securities or portions thereof shall nevertheless be no longer entitled to the benefits provided by this Indenture or of any of the covenants of the Company under Article Five (except the covenants contained in Sections 502 and 503) or any other covenants made in respect of such Securities or portions thereof as contemplated by Section 301, but the indebtedness of the Company in respect of such Securities or portions thereof shall not be deemed to have been satisfied and discharged prior to Maturity for any other purpose; and, upon Company Request, the Trustee shall acknowledge in writing that such Securities or portions thereof are deemed to have been paid for all purposes of this Indenture.

If payment at Stated Maturity of less than all of the Securities of any series, or any Tranche thereof, is to be provided for in the manner and with the effect provided in this Section, the Security Registrar shall select such Securities, or portions of principal amount thereof, in the manner specified by Section 403 for selection for redemption of less than all the Securities of a series or Tranche.

In the event that Securities which shall be deemed to have been paid for purposes of this Indenture, and, if such is the case, in respect of which the Company's indebtedness shall have been satisfied and discharged, all as provided in this Section, do not mature and are not to be redeemed within the sixty (60) day period commencing with the date of the deposit of moneys or Eligible Obligations, as aforesaid, the Company shall, as promptly as practicable, give a notice, in the same manner as a notice of redemption with respect to such Securities, to the Holders of such Securities to the effect that such deposit has been made and the effect thereof.

Notwithstanding that any Securities shall be deemed to have been paid for purposes of this Indenture, as aforesaid, the obligations of the Company and the Trustee in respect of such Securities under Sections 304, 305, 306, 404, 502, 503, 807 and 814 and this Article shall survive.

The Company shall pay, and shall indemnify the Trustee or any Paying Agent with which Eligible Obligations shall have been deposited as provided in this Section against, any tax, fee or other charge imposed on or assessed against such Eligible Obligations or the principal or interest received in respect of such Eligible Obligations, including, but not limited to, any such tax payable by any entity deemed, for tax purposes, to

have been created as a result of such deposit.

Anything herein to the contrary notwithstanding, (a) if, at any time after a Security would be deemed to have been paid for purposes of this Indenture, and, if such is the case, the Company's indebtedness in respect thereof would be deemed to have been satisfied and discharged, pursuant to this Section (without regard to the provisions of this paragraph), the Trustee or any Paying Agent, as the case may be, shall be required to return the money or Eligible Obligations, or combination thereof, deposited with it as aforesaid to the Company or its representative under any applicable Federal or State bankruptcy, insolvency or other similar law, such Security shall thereupon be deemed retroactively not to have been paid and any satisfaction and discharge of the Company's indebtedness in respect thereof shall retroactively be deemed not to have been effected, and such Security shall be deemed to remain Outstanding and (b) any satisfaction and discharge of the Company's indebtedness in respect of any Security shall be subject to the provisions of the last paragraph of Section 503.

#### SECTION 602. SATISFACTION AND DISCHARGE OF INDENTURE.

This Indenture shall upon Company Request cease to be of further effect (except as hereinafter expressly provided), and the Trustee, at the expense of the Company, shall execute such instruments as the Company shall reasonably request to evidence and acknowledge the satisfaction and discharge of this Indenture, when:

(a) no Securities remain Outstanding hereunder; and

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

provided, however, that if, in accordance with the last paragraph of Section 601, any Security, previously deemed to have been paid for purposes of this Indenture, shall be deemed retroactively not to have been so paid, this Indenture shall thereupon be deemed retroactively not to have been satisfied and discharged, as aforesaid, and to remain in full force and effect, and the Company shall execute and deliver such instruments as the Trustee shall reasonably request to evidence and acknowledge the same.

Notwithstanding the satisfaction and discharge of this Indenture as aforesaid, the obligations of the Company and the Trustee under Sections 304, 305, 306, 404, 502, 503, 807 and 814 and this Article shall survive.

Upon satisfaction and discharge of this Indenture as provided in this Section, the Trustee shall turn over to the Company any and all money, securities and other property then held by the Trustee for the benefit of the Holders of the Securities (other than money and Eligible Obligations held by the Trustee pursuant to Section 603) and shall execute and deliver to the Company such instruments as, in the judgment of the Company, shall be necessary, desirable or appropriate to effect or evidence the satisfaction and discharge of this Indenture.

#### SECTION 603. APPLICATION OF TRUST MONEY.

Neither the Eligible Obligations nor the money deposited pursuant to Section 601, nor the principal or interest payments on any such Eligible Obligations, shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and premium, if any, and interest, if any, on the Securities or portions of principal amount thereof in respect of which such deposit was made, all subject, however, to the provisions of Section 503; provided, however, that any cash received from such principal or interest payments on such Eligible Obligations, if not then needed for such purpose, shall, to the extent practicable and upon Company Request and delivery to the Trustee of the documents referred to in clause (y) in the first paragraph of Section 601, be invested in Eligible Obligations of the type described in clause (b) in the first paragraph of Section 601 maturing at such times and in such amounts as shall be sufficient, together with any other moneys and the proceeds of any other Eligible Obligations then held by the Trustee, to pay when due the principal of and premium, if any, and interest, if any, due and to become due on such Securities or portions thereof on and prior to the Maturity thereof, and interest earned from such reinvestment shall be paid over to the Company as received, free and clear of any trust, lien or pledge under this Indenture; and provided, further, that any moneys held in accordance with this Section on the Maturity of all such Securities in excess of the amount required to pay the principal of and premium, if any, and interest, if any, then due on such Securities shall be paid over to the Company free and clear of any trust, lien or pledge under this Indenture; and provided, further, that if an Event of Default shall have occurred and be continuing, moneys to be paid over to the Company pursuant to this

Section shall be held until such Event of Default shall have been waived or cured.

## ARTICLE SEVEN

### EVENTS OF DEFAULT; REMEDIES

#### SECTION 701. EVENTS OF DEFAULT.

"EVENT OF DEFAULT", wherever used herein with respect to the Securities of any series, means any of the following events which shall have occurred and be continuing:

(a) failure to pay interest, if any, on any Security of such series within sixty (60) days after the same becomes due and payable (whether or not payment is prohibited by the provisions of Article Fourteen); provided, however, that no such failure shall constitute an "Event of Default" if the Company shall have made a valid extension of the interest payment period with respect to the Securities of such series if so provided with respect to such series as contemplated by Section 301; or

(b) failure to pay the principal of or premium, if any, on any Security of such series within three (3) Business Days after its Maturity (whether or not payment is prohibited by the provisions of Article Fourteen); provided, however, that no such failure shall constitute an "Event of Default" if the Company shall have made a valid extension of the Maturity of the Securities of such series if so provided with respect to such series as contemplated by Section 301; or

(c) failure to perform or breach of any covenant or warranty of the Company in this Indenture (other than a covenant or warranty a default in the performance of which or breach of which is elsewhere in this Section specifically dealt with or which has expressly been included in this Indenture solely for the benefit of one or more series of Securities other than such series) for a period of ninety (90) days after there has been given, by registered or certified mail, to the Company by the Trustee, or to the Company and the Trustee by the Holders of at least thirty-three per centum (33%) in principal amount of the Outstanding Securities of such series, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "NOTICE OF DEFAULT" hereunder, unless the Trustee, or the Trustee and the Holders of a principal amount of Securities of such series not less than the principal amount of Securities the Holders of which gave such notice, as the case may be, shall agree in writing to an extension of such period prior to its expiration; provided, however, that the Trustee, or the Trustee and the Holders of such principal amount of Securities of such series, as the case may be, shall be deemed to have agreed to an extension of such period if corrective action is initiated by the Company within such period and is being diligently pursued; or

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

(e) the commencement by the Company of a voluntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by it to the entry of a decree or order for relief in respect of the Company in a case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable Federal or State law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee,

sequestrator or similar official of the Company or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the authorization of such action by the Board of Directors; or

(f) If such Securities shall have been issued and delivered to a Washington Water Power Trust (or a trustee thereof) in connection with the issuance by such trust of Trust Securities and so long as such Trust Securities remain outstanding, such Washington Water Power Trust shall have voluntarily or involuntarily dissolved, wound-up its business or otherwise terminated its existence except in connection with (i) the distribution of Securities to holders of Trust Securities in liquidation of their interests in such trust, (ii) the redemption of all or the outstanding Trust Securities of such trust or (iii) certain mergers, consolidations or other business combinations, each as permitted by the Declaration establishing such trust.

#### SECTION 702. ACCELERATION OF MATURITY; RESCISSION AND ANNULMENT.

If an Event of Default shall have occurred and be continuing with respect to Securities of any series at the time Outstanding, then in every such case the Trustee or the Holders of not less than thirty-three per centum (33%) in principal amount of the Outstanding Securities of such series may declare the principal amount (or, if any of the Securities of such series are Discount Securities, such portion of the principal amount of such Securities as may be specified in the terms thereof as contemplated by Section 301) of all of the Outstanding Securities of such series to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), and upon such declaration such principal amount (or specified amount), together with premium, if any, and accrued interest, if any, thereon, shall become immediately due and payable; provided, however, that if an Event of Default shall have occurred and be continuing with respect to more than one series of Securities, the Trustee or the Holders of not less than thirty-three per centum (33%) in aggregate principal amount of the Outstanding Securities of all such series, considered as one class, may make such declaration of acceleration, and not the Holders of the Securities of any one of such series.

At any time after such a declaration of acceleration with respect to Securities of any series shall have been made, but before a judgment or decree for payment of the money due shall have been obtained by the Trustee as provided in this Article, the Event or Events of Default giving rise to such declaration of acceleration shall, without further act, be deemed to have been cured, and such declaration and its consequences shall, without further act, be deemed to have been rescinded and annulled, if

(a) the Company shall have paid or deposited with the Trustee a sum sufficient to pay

(i) all overdue interest, if any, on all Securities of such series then Outstanding;

(ii) the principal of and premium, if any, on any Securities of such series then Outstanding which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in such Securities;

(iii) interest upon overdue interest at the rate or rates prescribed therefor in such Securities, to the extent that payment of such interest is lawful; and

(iv) all amounts due to the Trustee under Section 807; and

(b) any other Event or Events of Default with respect to Securities of such series, other than the non-payment of the principal of Securities of such series which shall have become due solely by such declaration of acceleration, shall have been cured or waived as provided in Section 713.

No such rescission shall affect any subsequent Event of Default or impair any right consequent thereon.

#### SECTION 703. COLLECTION OF INDEBTEDNESS AND SUITS FOR ENFORCEMENT BY TRUSTEE.

If an Event of Default described in clause (a) or (b) of Section 701 shall have occurred and be continuing, the Company shall, upon demand of the Trustee, pay to it, for the benefit of the Holders of the Securities

of the series with respect to which such Event of Default shall have occurred, the whole amount then due and payable on such Securities for principal and premium, if any, and interest, if any, and, in addition thereto, such further amount as shall be sufficient to cover any amounts due to the Trustee under Section 807.

If the Company shall fail to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company or any other obligor upon such Securities and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon such Securities, wherever situated.

If an Event of Default with respect to Securities of any series shall have occurred and be continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities of such series by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

#### SECTION 704. APPLICATION OF MONEY COLLECTED.

Any money collected by the Trustee pursuant to this Article shall be applied in the following order, to the extent permitted by law, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal or premium, if any, or interest, if any, upon presentation of the Securities and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee under Section 807;

SECOND: To the payment of the whole amount then due and unpaid upon the Outstanding Securities for principal and premium, if any, and interest, if any, in respect of which or for the benefit of which such money has been collected; and in case such proceeds shall be insufficient to pay in full the whole amount so due and unpaid upon such Securities, then to the payment of such principal and interest, if any, thereon without any preference or priority, ratably according to the aggregate amount so due and unpaid, with any balance then remaining to the payment of premium, if any, and, if so specified as contemplated by Section 301 with respect to the Securities of any series, or any Tranche thereof, interest, if any, on overdue premium, if any, and overdue interest, if any, ratably as aforesaid, all to the extent permitted by applicable law;

THIRD: To the payment of the remainder, if any, to the Company or to whomsoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

#### SECTION 705. TRUSTEE MAY FILE PROOFS OF CLAIM.

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

(a) to file and prove a claim for the whole amount of principal, premium, if any, and interest, if any, owing and unpaid in respect of the Securities and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for amounts due to the Trustee under Section 807) and of the Holders allowed in such judicial proceeding, and

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

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the



Holders, to pay to the Trustee any amounts due it under Section 807.

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

SECTION 706. TRUSTEE MAY ENFORCE CLAIMS WITHOUT POSSESSION OF SECURITIES.

All rights of action and claims under this Indenture or on the Securities may be prosecuted and enforced by the Trustee without the possession of any of the Securities or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders in respect of which such judgment has been recovered.

SECTION 707. LIMITATION ON SUITS.

No Holder shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

(a) such Holder shall have previously given written notice to the Trustee of a continuing Event of Default with respect to the Securities of such series;

(b) the Holders of a majority in aggregate principal amount of the Outstanding Securities of all series in respect of which an Event of Default shall have occurred and be continuing, considered as one class, shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(c) such Holder or Holders shall have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(d) the Trustee for sixty (60) days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such proceeding; and

(e) no direction inconsistent with such written request shall have been given to the Trustee during such sixty (60) day period by the Holders of a majority in aggregate principal amount of the Outstanding Securities of all series in respect of which an Event of Default shall have occurred and be continuing, considered as one class.

it being understood and intended that no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other of such Holders or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all of such Holders.

SECTION 708. UNCONDITIONAL RIGHT OF HOLDERS TO RECEIVE PRINCIPAL, PREMIUM AND INTEREST.

Notwithstanding any other provision in this Indenture, the Holder of any Security shall have the right, which is absolute and unconditional, to receive payment of the principal of and premium, if any, and (subject to Section 307) interest, if any, on such Security on the Stated Maturity or Maturities expressed in such Security (or, in the case of redemption, on the Redemption Date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

SECTION 709. RESTORATION OF RIGHTS AND REMEDIES.

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company,

the Trustee and such Holder shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and such Holder shall continue as though no such proceeding had been instituted.

#### SECTION 710. RIGHTS AND REMEDIES CUMULATIVE.

Except as otherwise provided in the last paragraph of Section 306, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

#### SECTION 711. DELAY OR OMISSION NOT WAIVER.

No delay or omission of the Trustee or of any Holder to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

#### SECTION 712. CONTROL BY HOLDERS OF SECURITIES.

If an Event of Default shall have occurred and be continuing in respect of a series of Securities, the Holders of a majority in principal amount of the Outstanding Securities of such series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee with respect to the Securities of such series; provided, however, that if an Event of Default shall have occurred and be continuing with respect to more than one series of Securities, the Holders of a majority in aggregate principal amount of the Outstanding Securities of all such series, considered as one class, shall have the right to make such direction, and not the Holders of the Securities of any one of such series; and provided, further, that

(a) such direction shall not be in conflict with any rule of law or with this Indenture, and could not involve the Trustee in personal liability in circumstances where indemnity would not, in the Trustee's sole discretion, be adequate, and

(b) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

#### SECTION 713. WAIVER OF PAST DEFAULTS.

The Holders of a majority in principal amount of the Outstanding Securities of any series may on behalf of the Holders of all the Securities of such series waive any past default with respect to such series hereunder and its consequences, except a default

(a) in the payment of the principal of or premium, if any, or interest, if any, on any Security of such series, or

(b) in respect of a covenant or provision hereof which under Section 1102 cannot be modified or amended without the consent of the Holder of each Outstanding Security of such series affected; provided, however, that so long as a Washington Water Power Trust holds the Securities of any series, such trust may not waive any past default without the consent of a majority in aggregate liquidation amount of the outstanding Trust Securities issued by such trust (other than Trust Securities initially issued and sold to the Company) obtained as provided in the Declaration establishing such trust.

Upon any such waiver, such default shall cease to exist, and any and all Events of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

#### SECTION 714. UNDERTAKING FOR COSTS.

The Company and the Trustee agree, and each Holder by 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, or in any suit against the Trustee for any

action taken, suffered or omitted by it as Trustee, 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 reasonable 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 the provisions of this Section shall not apply to any suit instituted by the Company, to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than ten per centum (10%) in aggregate principal amount of the Outstanding Securities of all series in respect of which such suit may be brought, considered as one class, or to any suit instituted by any Holder for the enforcement of the payment of the principal of or premium, if any, or interest, if any, on any Security on or after the Stated Maturity or Maturities expressed in such Security (or, in the case of redemption, on or after the Redemption Date).

#### SECTION 715. WAIVER OF STAY OR EXTENSION LAWS.

To the full extent that it may lawfully so agree, the Company shall not at any time set up, claim or otherwise seek to take the benefit or advantage of any stay or extension law, now or hereafter in effect, in order to prevent or hinder the enforcement of this Indenture; and the Company, for itself and all who may claim under it, so far as it or they now or hereafter may lawfully do so, hereby waives the benefit of all such laws.

#### SECTION 716. ACTION BY HOLDERS OF CERTAIN TRUST SECURITIES.

If the Securities of any series shall be held by the Institutional Trustee of a Washington Water Power Trust and if such Institutional Trustee, as such Holder, shall have failed to exercise any of the rights and remedies available under this Indenture to the Holders of such Securities, the holders of the Trust Securities issued by such trust (other than Trust Securities initially issued and sold to the Company) shall have and may exercise all such rights and remedies, to the same extent as if such holders of such Trust Securities held a principal amount of Securities of such series equal to the liquidation amount of such Trust Securities, without first proceeding against such trustee or trust. Notwithstanding the foregoing, in the case of an Event of Default described in clause (a) or (b) of Section 701, each holder of such Trust Securities shall have and may exercise all rights available to the Institutional Trustee under Section 708 as the Holder of the Securities of such series.

If action shall have been taken by both the Holders and the holders of Trust Securities (other than Trust Securities initially issued and sold to the Company) to exercise such rights as contemplated in the preceding paragraph, the action taken by holders of Trust Securities shall control. Any such action taken by registered holders of Trust Securities shall be evidenced to the Trustee in the same manner as an Act of Holders, as provided in Section 104(a). The Trustee shall be entitled to rely on the books and records of the related Washington Water Power Trust in determining the identities of the holders of Trust Securities (and, upon the reasonable request of the Trustee, the Company, as the sponsor of such trust, shall, at its own expense, promptly provide copies of applicable portions of such books and records to the Trustee to the extent reasonably necessary to enable the Trustee to make such determination).

### ARTICLE EIGHT

#### THE TRUSTEE

#### SECTION 801. CERTAIN DUTIES AND RESPONSIBILITIES.

(a) Except during the continuance of an Event of Default with respect to Securities of any series,

(i) the Trustee undertakes to perform, with respect to Securities of such series, such duties and only 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; and

(ii) in the absence of bad faith on its part, the Trustee may, with respect to Securities of such series, conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of

this Indenture; but in the case of any such certificates or opinions which by any provisions hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture.

(b) In case an Event of Default with respect to Securities of any series shall have occurred and be continuing, the Trustee shall exercise, with respect to Securities of such series, such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of 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) this subsection shall not be construed to limit the effect of subsection (a) of this Section;

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

(iii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in principal amount of the Outstanding Securities of any one or more series, as provided herein, 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 with respect to the Securities of such series; and

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

(d) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

#### SECTION 802. NOTICE OF DEFAULTS.

The Trustee shall give notice of any default hereunder with respect to the Securities of any series to the Holders of Securities of such series in the manner and to the extent required to do so by the Trust Indenture Act, unless such default shall have been cured or waived; provided, however, that in the case of any default of the character specified in Section 701(c), no such notice to Holders shall be given until at least seventy-five (75) days after the occurrence thereof; and provided, further, that, subject to the provisions of Section 801, the Trustee shall not be deemed to have knowledge of such default unless either (i) a Responsible Officer of the Trustee shall have actual knowledge of such default or (ii) the Trustee shall have received written notice thereof from the Company or any Holder. For the purpose of this Section, the term "DEFAULT" means any event which is, or after notice or lapse of time, or both, would become, an Event of Default.

#### SECTION 803. CERTAIN RIGHTS OF TRUSTEE.

Subject to the provisions of Section 801 and to the applicable provisions of the Trust Indenture Act:

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

(b) any request, direction or act of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order, or as otherwise expressly provided herein, and any resolution of the Board of Directors may be sufficiently evidenced by a Board

Resolution;

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

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

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

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness 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 (subject to applicable legal requirements) be entitled to examine, during normal business hours, the books, records and premises of the Company, personally or by agent or attorney;

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

(h) the Trustee shall not be charged with knowledge of any Event of Default with respect to the Securities of any series for which it is acting as Trustee unless either (i) a Responsible Officer of the Trustee shall have actual knowledge of the Event of Default or (ii) written notice of such Event of Default shall have been given to the Trustee by the Company, any other obligor on such Securities or by any Holder of such Securities.

#### SECTION 804. NOT RESPONSIBLE FOR RECITALS OR ISSUANCE OF SECURITIES.

The recitals contained herein and in the Securities (except the Trustee's certificates of authentication) shall be taken as the statements of the Company, and neither the Trustee nor any Authenticating Agent assumes any responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities. Neither the Trustee nor any Authenticating Agent shall be accountable for the use or application by the Company of Securities or the proceeds thereof.

#### SECTION 805. MAY HOLD SECURITIES.

Each of the Trustee, any Authenticating Agent, any Paying Agent, any Security Registrar or any other agent of the Company or the Trustee, in its individual or any other capacity, may become the owner or pledgee of Securities and, subject to Sections 808 and 813, may otherwise deal with the Company with the same rights it would have if it were not such Trustee, Authenticating Agent, Paying Agent, Security Registrar or other agent.

#### SECTION 806. MONEY HELD IN TRUST.

Money held by the Trustee in trust hereunder need not be segregated from other funds, except to the extent required by law. The Trustee shall be under no liability for interest on or investment of any money received by it hereunder except as expressly provided herein or otherwise agreed with, and for the sole benefit of, the Company.

#### SECTION 807. COMPENSATION AND REIMBURSEMENT.

The Company shall

(a) pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation

of a trustee of an express trust);

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

(c) indemnify the Trustee and hold it harmless from and against any loss, liability or expense reasonably incurred by it arising out of or in connection with the acceptance or administration of the trust or trusts hereunder or the performance of its duties hereunder, including the reasonable costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder, except to the extent any such loss, liability or expense may be attributable to its negligence, wilful misconduct or bad faith.

As security for the performance of the obligations of the Company under this Section, the Trustee shall have a lien prior to the Securities upon all property and funds held or collected by the Trustee as such other than property and funds held in trust under Section 603 (except moneys payable to the Company as provided in Section 603). "TRUSTEE" for purposes of this Section shall include any predecessor Trustee; provided, however, that the negligence, wilful misconduct or bad faith of any Trustee hereunder shall not affect the rights of any other Trustee hereunder.

#### SECTION 808. DISQUALIFICATION; CONFLICTING INTERESTS.

If the Trustee shall have or acquire any conflicting interest within the meaning of the Trust Indenture Act, it shall either eliminate such conflicting interest or resign to the extent, in the manner and with the effect, and subject to the conditions, provided in the Trust Indenture Act and this Indenture. For purposes of Section 310(b)(1) of the Trust Indenture Act and to the extent permitted thereby, the Trustee, in its capacity as trustee in respect of the Securities of any series, shall not be deemed to have a conflicting interest arising from its capacity as trustee in respect of the Securities of any other series.

#### SECTION 809. CORPORATE TRUSTEE REQUIRED; ELIGIBILITY.

There shall at all times be a Trustee hereunder which shall be

(a) a corporation organized and doing business under the laws of the United States, any State or Territory thereof or the District of Columbia, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000) and subject to supervision or examination by Federal, State, Territorial or District of Columbia authority, or

(b) if and to the extent permitted by the Commission by rule, regulation or order upon application, a corporation or other Person organized and doing business under the laws of a foreign government, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000) or the Dollar equivalent of the applicable foreign currency and subject to supervision or examination by authority of such foreign government or a political subdivision thereof substantially equivalent to supervision or examination applicable to United States institutional trustees,

and, in either case, qualified and eligible under this Article and the Trust Indenture Act. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of such supervising or examining authority, then for the purposes of this Section, 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 the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

#### SECTION 810. RESIGNATION AND REMOVAL; APPOINTMENT OF SUCCESSOR.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee in accordance with the applicable requirements of Section 811.

(b) The Trustee may resign at any time with respect to the Securities of one or more series by giving written notice thereof to the Company. If the instrument of acceptance by a successor Trustee required by Section 811 shall not have been delivered to the Trustee within thirty (30) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

(c) The Trustee may be removed at any time with respect to the Securities of any series by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series delivered to the Trustee and to the Company.

(d) If at any time:

(i) the Trustee shall fail to comply with Section 808 after written request therefor by the Company or by any Holder who has been a bona fide Holder for at least six months, or

(ii) the Trustee shall cease to be eligible under Section 809 and shall fail to resign after written request therefor by the Company or by any such Holder, or

(iii) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (x) the Company by a Board Resolution may remove the Trustee with respect to all Securities or (y) subject to Section 714, any Holder who has been a bona fide Holder for at least six (6) months may, on behalf of itself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee with respect to all Securities and the appointment of a successor Trustee or Trustees.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause (other than as contemplated in clause (y) in subsection (d) of this Section), with respect to the Securities of one or more series, the Company, by a Board Resolution, shall take prompt steps to appoint a successor Trustee or Trustees with respect to the Securities of that or those series (it being understood that any such successor Trustee may be appointed with respect to the Securities of one or more or all of such series and that at any time there shall be only one Trustee with respect to the Securities of any particular series) and shall comply with the applicable requirements of Section 811. If, within one (1) year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee with respect to the Securities of any series shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities of such series delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements of Section 811, become the successor Trustee with respect to the Securities of such series and to that extent supersede the successor Trustee appointed by the Company. If no successor Trustee with respect to the Securities of any series shall have been so appointed by the Company or the Holders and accepted appointment in the manner required by Section 811, any Holder who has been a bona fide Holder of a Security of such series for at least six (6) months may, on behalf of itself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities of such series.

(f) So long as no event which is, or after notice or lapse of time, or both, would become, an Event of Default shall have occurred and be continuing, if the Company shall have delivered to the Trustee with respect to the Securities of one or more series (i) a Board Resolution appointing a successor Trustee or Trustees with respect to that or those series, effective as of a date specified therein, and (ii) an instrument of acceptance of such appointment, effective as of such date, by such successor Trustee or Trustees in accordance with Section 811, the Trustee or Trustees with respect to that or those series shall be deemed to have resigned as contemplated in subsection (b) of this Section, the successor Trustee or Trustees shall be deemed to have been appointed pursuant to subsection (e) of this Section and such appointment shall be deemed to have been accepted as contemplated in Section 811, all as of such date, and all other provisions of this Section and Section 811 shall be applicable to such resignation, appointment and acceptance except to the extent

inconsistent with this subsection (f).

(g) The Company shall give notice of each resignation and each removal of the Trustee with respect to the Securities of any series and each appointment of a successor Trustee with respect to the Securities of any series by mailing written notice of such event by first-class mail, postage prepaid, to all Holders of Securities of such series as their names and addresses appear in the Security Register. Each notice shall include the name of the successor Trustee with respect to the Securities of such series and the address of its corporate trust office.

#### SECTION 811. ACCEPTANCE OF APPOINTMENT BY SUCCESSOR.

(a) In case of the appointment hereunder of a successor Trustee with respect to the Securities of all series, every such successor Trustee so appointed shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on the request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of all sums owed to it, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder.

(b) In case of the appointment hereunder of a successor Trustee with respect to the Securities of one or more (but not all) series, the Company, the retiring Trustee and each successor Trustee with respect to the Securities of such series shall execute and deliver an indenture supplemental hereto wherein each successor Trustee shall accept such appointment and which (1) shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, each successor Trustee all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates, (2) if the retiring Trustee is not retiring with respect to all Securities, shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee and (3) shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees co-trustees of the same trust and that each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee; and upon the execution and delivery of such supplemental indenture the resignation or removal of the retiring Trustee shall become effective to the extent provided therein and each such successor Trustee, without any further act, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee with respect to the Securities of that or those series to which the appointment of such successor Trustee relates; but, on request of the Company or any successor Trustee, such retiring Trustee, upon payment of all sums owed to it, shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder with respect to the Securities of that or those series to which the appointment of such successor Trustee relates.

(c) Upon request of any such successor Trustee, the Company shall execute any instruments which fully vest in and confirm to such successor Trustee all rights, powers and trusts referred to in subsection (a) or (b) of this Section, as the case may be.

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

#### SECTION 812. MERGER, CONVERSION, CONSOLIDATION OR SUCCESSION TO BUSINESS.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee



then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

#### SECTION 813. PREFERENTIAL COLLECTION OF CLAIMS AGAINST COMPANY.

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

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

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

#### SECTION 814. APPOINTMENT OF AUTHENTICATING AGENT.

The Trustee may appoint an Authenticating Agent or Agents with respect to the Securities of one or more series, or any Tranche thereof, which shall be authorized to act on behalf of the Trustee to authenticate Securities of such series or Tranche issued upon original issuance, exchange, registration of transfer or partial redemption thereof or pursuant to Section 306, and Securities 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 Securities by the Trustee or the Trustee's certificate of authentication, 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. 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, any State or Territory thereof or the District of Columbia or the Commonwealth of Puerto Rico, 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 subject to supervision or examination by Federal or State authority. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Authenticating Agent 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 the provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section.

Any corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any corporation succeeding to all or substantially all of the corporate agency or corporate trust business of an Authenticating Agent, shall continue to be an Authenticating Agent, provided such corporation shall be otherwise eligible under this Section, without the execution or filing of any paper or any further act on the part of the Trustee or the Authenticating Agent.

An Authenticating Agent may resign at any time by giving written notice thereof to the Trustee and to the Company. The Trustee may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating Agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee may appoint a

successor Authenticating Agent which shall be acceptable to the Company. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

The Company agrees to pay to each Authenticating Agent from time to time reasonable compensation for its services under this Section.

The provisions of Sections 308, 804 and 805 shall be applicable to each Authenticating Agent.

If an appointment with respect to the Securities of one or more series, or any Tranche thereof, shall be made pursuant to this Section, the Securities of such series or Tranche may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternate certificate of authentication substantially in the following form:

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

\_\_\_\_\_  
As Trustee

By \_\_\_\_\_  
As Authenticating Agent

By \_\_\_\_\_  
Authorized Officer

If all of the Securities of a series may not be originally issued at one time, and if the Trustee does not have an office capable of authenticating Securities upon original issuance located in a Place of Payment where the Company wishes to have Securities of such series authenticated upon original issuance, the Trustee, if so requested by the Company in writing (which writing need not comply with Section 102 and need not be accompanied by an Opinion of Counsel), shall appoint, in accordance with this Section and in accordance with such procedures as shall be acceptable to the Trustee, an Authenticating Agent having an office in a Place of Payment designated by the Company with respect to such series of Securities.

#### ARTICLE NINE

##### LISTS OF HOLDERS; REPORTS BY TRUSTEE AND COMPANY

###### SECTION 901. LISTS OF HOLDERS.

Semiannually, not later than June 30 and December 31 in each year, commencing June 30, \_\_\_\_, and within 30 days of such other times as the Trustee may request in writing, the Company shall furnish or cause to be furnished to the Trustee information as to the names and addresses of the Holders, as of a date no more than fifteen (15) days prior to the date such information is so furnished, and the Trustee shall preserve such information and similar information received by it in any other capacity and afford to the Holders access to information so preserved by it, all to such extent, if any, and in such manner as shall be required by the Trust Indenture Act; provided, however, that no such list need be furnished so long as the Trustee shall be the Security Registrar.

###### SECTION 902. REPORTS BY TRUSTEE AND COMPANY.

Not later than July 15 in each year, commencing July 15, \_\_\_\_, the Trustee shall transmit to the Holders, the Commission and each securities exchange upon which any Securities are listed, a report, dated as of the next preceding May 15, with respect to any events and other matters described in Section 313(a) of the Trust Indenture Act, in such manner and to the extent required by the Trust Indenture Act. The Trustee shall transmit to the Holders, the Commission and each securities exchange upon which any Securities are listed, and the Company shall file with the Trustee (within thirty (30) days after filing with the Commission in the case of reports which pursuant to the Trust Indenture Act must be filed with the Commission and furnished to the Trustee) and transmit to the Holders, such other information, reports and other documents, if any, at such times and in such manner, as shall be required by the Trust Indenture Act. The Company shall notify the Trustee of the listing of any Securities on any securities exchange.

ARTICLE TEN

CONSOLIDATION, MERGER, CONVEYANCE  
OR OTHER TRANSFER

SECTION 1001. COMPANY MAY CONSOLIDATE, ETC., ONLY ON CERTAIN TERMS.

The Company shall not consolidate with or merge into any other corporation, or convey or otherwise transfer, or lease, all of its properties, as or substantially as an entirety, to any Person, unless:

(a) the corporation formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or other transfer, or which leases (for a term extending beyond the last Stated Maturity of the Securities then Outstanding), all of the properties of the Company, as or substantially as an entirety, shall be a corporation organized and existing under the laws of the United States, any State or Territory thereof or the District of Columbia or under the laws of Canada or any Province thereof (such corporation being hereinafter sometimes called the "SUCCESSOR CORPORATION") and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, the due and punctual payment of the principal of and premium, if any, and interest, if any, on all the Securities then Outstanding and the performance and observance of every covenant and condition of this Indenture to be performed or observed by the Company; and

(b) the Company shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each of which shall state that such consolidation, merger, conveyance or other transfer or lease, and such supplemental indenture, comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with.

Anything in this Indenture to the contrary notwithstanding, the conveyance or other transfer by the Company of all of its facilities (a) for the generation of electric energy, (b) for the transmission of electric energy or (c) for the distribution of electric energy and/or natural gas, in each case considered alone, or all of its facilities described in clauses (a) and (b), considered together, or all of its facilities described in clauses (b) and (c), considered together, shall in no event be deemed to constitute a conveyance or other transfer of all the properties of the Company, as or substantially as an entirety, unless, immediately following such conveyance or other transfer, the Company shall own no properties in the other such categories of property not so conveyed or otherwise transferred. The character of particular facilities shall be determined by reference to the Uniform System of Accounts prescribed for public utilities and licensees subject to the Federal Power Act, as amended, to the extent applicable.

SECTION 1002. SUCCESSOR CORPORATION SUBSTITUTED.

Upon any consolidation or merger or any conveyance or other transfer of all the properties of the Company, as or substantially as an entirety, in accordance with Section 1001, the Successor Corporation shall succeed to, and be substituted for, and may exercise every power and right of, the Company under this Indenture with the same effect as if such Successor Corporation had been named as the "Company" herein. Without limiting the generality of the foregoing, the Successor Corporation may execute and deliver to the Trustee, and thereupon the Trustee shall, subject to the provisions of Article Three, authenticate and deliver, Securities. All Securities so executed by the Successor Corporation, and authenticated and delivered by the Trustee, shall in all respects be entitled to the benefits provided by this Indenture equally and ratably with all Securities executed, authenticated and delivered prior to the time such consolidation, merger, conveyance or other transfer became effective.

SECTION 1003. RELEASE OF COMPANY UPON CONVEYANCE OR OTHER TRANSFER.

In the case of a conveyance or other transfer to any Person or Persons as contemplated in Section 1001, upon the satisfaction of all the conditions specified in Section 1001 the Company (such term being used in this Section without giving effect to such transaction) shall be released and discharged from all obligations and covenants under this Indenture and on and under all Securities then Outstanding (unless the Company shall have delivered to the Trustee an instrument in which it shall waive such release and discharge) and the Trustee shall acknowledge in writing that the Company has been so released and discharged.

SECTION 1004. MERGER INTO COMPANY.

Nothing in this Indenture shall be deemed to prevent or restrict any consolidation or merger after the consummation of which the Company would be the surviving or resulting corporation or any conveyance or other transfer, or lease of any part of the properties of the Company which does not constitute the entirety, or substantially the entirety, thereof.

SECTION 1005. TRANSFER OF LESS THAN THE ENTIRETY.

(a) If the Company shall have conveyed or otherwise transferred any part of its properties which does not constitute the entirety, or substantially the entirety, thereof to another corporation meeting the requirements set forth in clause (a) of the first paragraph of Section 1001 and if:

(i) the transferee of such part of the properties of the Company shall have executed and delivered to the Trustee an indenture supplemental hereto, in form reasonably satisfactory to the Trustee, which contains an assumption by such transferee of the due and punctual payment of the principal of and premium, if any, and interest, if any, on all the Securities then Outstanding and the performance and observance of every covenant and condition of this Indenture to be performed or observed by the Company;

(ii) there shall have been delivered to the Trustee an Independent Expert's Certificate

(A) describing the property so conveyed or otherwise transferred (such description of property to be made by reference either to specific items, units and/or elements of property or portions thereof, on a percentage or Dollar basis, or to properties reflected in specified accounts in the Company's books of account or portions thereof, on a Dollar basis); provided, however, that such property shall be identified in such certificate as facilities for the generation, transmission or destruction of electric energy or for the storage, transportation or distribution of natural gas;

(B) stating, in the judgment of the signers, the Fair Value to the transferee of the property so conveyed or otherwise transferred;

(C) stating an amount equal to seventy percent (70%) of the amount stated pursuant to clause (B) above;

(D) stating an amount equal to the aggregate principal amount of the Securities then Outstanding; and

(E) stating that the amount stated pursuant to clause (D) above does not exceed the amount stated pursuant to clause (C) above;

(iii) the Company shall have assigned or otherwise transferred to such transferee all Trust Securities (initially issued and sold to the Company) then outstanding, and such transferee shall have expressly assumed all obligations under all Guarantees; and

(iv) the Company shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each of which shall state that such conveyance or other transfer and such supplemental indenture comply with this Section and that all conditions precedent relating to such transactions provided for in this Section and otherwise in this Indenture have been complied with;

then, upon the satisfaction of all such conditions,

(x) the Company shall be released and discharged from all obligations and covenants under this Indenture and on and under all Securities then Outstanding (unless the Company shall have delivered to the Trustee an instrument in which it shall waive such release and discharge), and the Trustee shall acknowledge in writing that the Company has been so released and discharged; and

(y) if the Company shall have been released and discharged as contemplated in clause (x) above, such transferee shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such transferee had been named the "Company" herein; and without limiting the generality of the foregoing, such transferee shall be deemed a "Successor Corporation" for purposes of Section 1002 and for all other purposes of this Indenture.

(b) For purposes of this Section:

"FAIR VALUE" means the fair value of such property so conveyed or otherwise transferred 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 (x) the Fair Value of property shall be determined without deduction for any mortgage, deed of trust, pledge, security interest, encumbrance, lease, reservation, restriction, servitude, charge or similar right or any other lien of any kind on such property and (y) the Fair Value to the transferee of any property shall not reflect any reduction relating to the fact that such property may be of less value to a Person which is not the owner or operator of the property or any portion thereof than to a Person which is such owner or operator. Fair Value may be determined, without physical inspection, by the use of accounting and engineering records and other data maintained by the Company or the transferee or otherwise available to the Expert certifying the same.

"INDEPENDENT EXPERT'S CERTIFICATE" means a certificate signed by an authorized officer of the transferee and by an Independent Expert (which Independent Expert shall be selected either by the board of directors or by an authorized officer of the transferee, the execution of such certificate by such authorized officer to be conclusive evidence of such selection) and delivered to the Trustee. For purposes of this definition, (a) "EXPERT" means a Person which is an engineer, appraiser or other expert and which, with respect to any certificate to be signed by such Person and delivered to the Trustee, is qualified to pass upon the matter set forth in such certificate; (b) "ENGINEER" means a Person engaged in the engineering profession or otherwise qualified to pass upon engineering matters (including, but not limited to, a Person licensed as a professional engineer, whether or not then engaged in the engineering profession) and (c) "APPRAISER" means a Person engaged in the business of appraising property or otherwise qualified to pass upon the Fair Value or fair market value of property. "INDEPENDENT", when applied to any Expert, means such a Person who (a) is in fact independent, (b) does not have any direct material financial interest in the transferee or in any obligor upon the Securities or in any Affiliate of the transferee, (c) is not connected with the transferee or such other obligor as an officer, employee, promoter, underwriter, trustee, partner, director or any person performing similar functions and (d) is approved by the Trustee in the exercise of reasonable care.

#### ARTICLE ELEVEN

##### SUPPLEMENTAL INDENTURES

##### SECTION 1101. SUPPLEMENTAL INDENTURES WITHOUT CONSENT OF HOLDERS.

Without the consent of any Holders, the Company and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form reasonably satisfactory to the Trustee, for any of the following purposes:

(a) to evidence the succession of another Person to the Company and the assumption by any such successor of the covenants of the Company herein and in the Securities, all as provided in Article Ten; or

(b) to add one or more covenants of the Company or other provisions for the benefit of all Holders or for the benefit of the Holders of, or to remain in effect only so long as there shall be Outstanding, Securities of one or more specified series, or one or more specified Tranches thereof, or to surrender any right or power herein conferred upon the Company; or

(c) to change or eliminate any provision of this Indenture or to add any new provision to this Indenture; provided, however, that if such change, elimination or addition shall adversely affect the interests of the Holders of Securities of any series or Tranche in any material respect, such change, elimination or addition shall become effective with respect to such series or Tranche only when no Security of such series or Tranche remains Outstanding; or

(d) to provide collateral security for the Securities; or

(e) to establish the form or terms of Securities of any series or Tranche as contemplated by Sections 201 and 301; or

(f) to provide for the authentication and delivery of bearer securities and coupons appertaining thereto representing interest, if any, thereon and for the procedures for the registration, exchange and replacement thereof and for the giving of notice to, and the solicitation of the vote or consent of, the holders thereof, and for any and all other matters incidental thereto; or

(g) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Securities of one or more series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 811(b); or

(h) to provide for the procedures required to permit the Company to utilize, at its option, a non-certificated system of registration for all, or any series or Tranche of, the Securities; or

(i) to change any place or places where (1) the principal of and premium, if any, and interest, if any, on all or any series of Securities, or any Tranche thereof, shall be payable, (2) all or any series of Securities, or any Tranche thereof, may be surrendered for registration of transfer, (3) all or any series of Securities, or any Tranche thereof, may be surrendered for exchange and (4) notices and demands to or upon the Company in respect of all or any series of Securities, or any Tranche thereof, and this Indenture may be served; or

(j) to cure any ambiguity, to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein; or to make any other changes to the provisions hereof or to add other provisions with respect to matters or questions arising under this Indenture, provided that such other changes or additions shall not adversely affect the interests of the Holders of Securities of any series or Tranche in any material respect.

Without limiting the generality of the foregoing, if the Trust Indenture Act as in effect at the date of the execution and delivery of this Indenture or at any time thereafter shall be amended and

(x) if any such amendment shall require one or more changes to any provisions hereof or the inclusion herein of any additional provisions, or shall by operation of law be deemed to effect such changes or incorporate such provisions by reference or otherwise, this Indenture shall be deemed to have been amended so as to conform to such amendment to the Trust Indenture Act, and the Company and the Trustee may, without the consent of any Holders, enter into an indenture supplemental hereto to evidence such amendment hereof; or

(y) if any such amendment shall permit one or more changes to, or the elimination of, any provisions hereof which, at the date of the execution and delivery hereof or at any time thereafter, are required by the Trust Indenture Act to be contained herein or are contained herein to reflect any provisions of the Trust Indenture Act as in effect at such date, this Indenture shall be deemed to have been amended to effect such changes or elimination, and the Company and the Trustee may, without the consent of any Holders, enter into an indenture supplemental hereto to amend this Indenture to effect such changes or elimination.

Subject to the provisions of Section 1101, with the consent of the Holders of a majority in aggregate principal amount of the Securities of all series then Outstanding under this Indenture, considered as one class, by Act of said Holders delivered to the Company and the Trustee, the Company and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, this Indenture; provided, however, that if there shall be Securities of more than one series Outstanding hereunder and if a proposed supplemental indenture shall directly affect the rights of the Holders of Securities of one or more, but less than all, of such series, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Securities of all series so directly affected, considered as one class, shall be required; and provided, further, that if the Securities of any series shall have been issued in more than one Tranche and if the proposed supplemental indenture shall directly affect the rights of the Holders of Securities of one or more, but less than all, of such Tranches, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Securities of all Tranches so directly affected, considered as one class, shall be required; and provided, further, that no such supplemental indenture shall:

(a) change the Stated Maturity of the principal of, or any installment of principal of or interest on, any Security other than pursuant to the terms thereof, or reduce the principal amount thereof or the rate of interest thereon (or the amount of any installment of interest thereon) or change the method of calculating such rate or reduce any premium payable thereon, or reduce the amount of the principal of any Discount Security that would be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 702, or change the coin or currency (or other property), in which any Security or premium, if any, or interest, if any, thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Maturity of any Security, without, in any such case, the consent of the Holder of such Security; or

(b) reduce the percentage in principal amount of the Outstanding Securities of any series, or any Tranche thereof, the consent of the Holders of which is required for any such supplemental indenture, or the consent of the Holders of which is required for any waiver of compliance with any provision of this Indenture or of any default hereunder and its consequences, or reduce the requirements of Section 1204 for quorum or voting, without, in any such case, the consent of the Holder of each Outstanding Security of such series or Tranche; or

(c) modify any of the provisions of this Section, Section 506 or Section 713 with respect to the Securities of any series or any Tranche thereof (except to increase the percentages in principal amount referred to in this Section or such other Sections or to provide that other provisions of this Indenture cannot be modified or waived without the consent of the Holders of all Securities of such series or Tranche) without, in any such case, the consent of the Holder of each Outstanding Security of such series or Tranche; provided, however, that this clause shall not be deemed to require the consent of any Holder with respect to changes in the references to "the Trustee" and concomitant changes in this Section, or the deletion of this proviso, in accordance with the requirements of Sections 811(b) and 1101(g).

A supplemental indenture which (x) changes or eliminates any covenant or other provision of this Indenture which has expressly been included solely for the benefit of the Holders of, or which is to remain in effect only so long as there shall be Outstanding, Securities of one or more specified series, or one or more Tranches thereof, or (y) modifies the rights of the Holders of Securities of such series or Tranches with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Securities of any other series or Tranche.

Notwithstanding the foregoing, so long as the Securities of any series are held by a Washington Water Power Trust, the trustee may not consent to a supplemental indenture under this Section 1102 without the prior consent, obtained as provided in the Declaration establishing such trust of the holders of a majority in aggregate liquidation amount of all Trust Securities issued by such trust (other than Trust Securities initially issued and sold to the Company), or, in the case of changes described in clauses (a), (b) and (c) above, 100% in aggregate liquidation amount of all such Trust Securities then outstanding.

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

#### SECTION 1103. EXECUTION OF SUPPLEMENTAL INDENTURES.

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 801) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties, immunities or liabilities under this Indenture or otherwise.

#### SECTION 1104. EFFECT OF SUPPLEMENTAL INDENTURES.

Upon the execution and delivery of any supplemental indenture under this Article 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 Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby. Any supplemental indenture permitted by this Article may restate this Indenture in its entirety, and, upon the execution and delivery thereof, any such restatement shall supersede this Indenture as theretofore in effect for all purposes.

#### SECTION 1105. CONFORMITY WITH TRUST INDENTURE ACT.

Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act.

#### SECTION 1106. REFERENCE IN SECURITIES TO SUPPLEMENTAL INDENTURES.

Securities of any series, or any Tranche thereof, authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities of any series, or any Tranche thereof, 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 Securities of such series or Tranche.

#### SECTION 1107. MODIFICATION WITHOUT SUPPLEMENTAL INDENTURE.

To the extent, if any, that the terms of any particular series of Securities shall have been established in or pursuant to a Board Resolution or an Officer's Certificate pursuant to a supplemental indenture or a Board Resolution as contemplated by Section 301, and not in a supplemental indenture, additions to, changes in or the elimination of any of such terms may be effected by means of a supplemental Board Resolution or a supplemental Officer's Certificate, as the case may be, delivered to, and accepted by, the Trustee; provided, however, that such supplemental Board Resolution or supplemental Officer's Certificate shall not be accepted by the Trustee or otherwise be effective unless all conditions set forth in this Indenture which would be required to be satisfied if such additions, changes or elimination were contained in a supplemental indenture shall have been appropriately satisfied. Upon the acceptance thereof by the Trustee, any such supplemental Board Resolution or supplemental Officer's Certificate shall be deemed to be a "supplemental indenture" for purposes of Section 1104 and 1106.

### ARTICLE TWELVE

#### MEETINGS OF HOLDERS; ACTION WITHOUT MEETING

#### SECTION 1201. PURPOSES FOR WHICH MEETINGS MAY BE CALLED.

A meeting of Holders of Securities of one or more, or all, series, or any Tranche or Tranches thereof, may be called at any time and from time to time pursuant to this Article to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be made, given or taken by Holders of Securities of such series or Tranches.



## SECTION 1202. CALL, NOTICE AND PLACE OF MEETINGS.

(a) The Trustee may at any time call a meeting of Holders of Securities of one or more, or all, series, or any Tranche or Tranches thereof, for any purpose specified in Section 1201, to be held at such time and (except as provided in subsection (b) of this Section) at such place in the Borough of Manhattan, The City of New York, as the Trustee shall determine, or, with the approval of the Company, at any other place. Notice of every such meeting, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given, in the manner provided in Section 106, not less than twenty-one (21) nor more than one hundred eighty (180) days prior to the date fixed for the meeting.

(b) The Trustee may be asked to call a meeting of the Holders of Securities of one or more, or all, series, or any Tranche or Tranches thereof, by the Company or by the Holders of thirty-three per centum (33%) in aggregate principal amount of all of such series and Tranches, considered as one class, for any purpose specified in Section 1201, by written request setting forth in reasonable detail the action proposed to be taken at the meeting. If the Trustee shall have been asked by the Company to call such a meeting, the Company shall determine the time and place for such meeting and may call such meeting by giving notice thereof in the manner provided in subsection (a) of this Section, or shall direct the Trustee, in the name and at the expense of the Company, to give such notice. If the Trustee shall have been asked to call such a meeting by Holders in accordance with this subsection (b), and the Trustee shall not have given the notice of such meeting within twenty-one (21) days after receipt of such request or shall not thereafter proceed to cause the meeting to be held as provided herein, then the Holders of Securities of such series and Tranches, in the principal amount above specified, may determine the time and the place in the Borough of Manhattan, The City of New York, or in such other place as shall be determined or approved by the Company, for such meeting and may call such meeting for such purposes by giving notice thereof as provided in subsection (a) of this Section.

(c) Any meeting of Holders of Securities of one or more, or all, series, or any Tranche or Tranches thereof, shall be valid without notice if the Holders of all Outstanding Securities of such series or Tranches are present in person or by proxy and if representatives of the Company and the Trustee are present, or if notice is waived in writing before or after the meeting by the Holders of all Outstanding Securities of such series, or any Tranche or Tranches thereof, or by such of them as are not present at the meeting in person or by proxy, and by the Company and the Trustee.

## SECTION 1203. PERSONS ENTITLED TO VOTE AT MEETINGS.

To be entitled to vote at any meeting of Holders of Securities of one or more, or all, series, or any Tranche or Tranches thereof, a Person shall be (a) a Holder of one or more Outstanding Securities of such series or Tranches, or (b) a Person appointed by an instrument in writing as proxy for a Holder or Holders of one or more Outstanding Securities of such series or Tranches by such Holder or Holders. The only Persons who shall be entitled to attend any meeting of Holders of Securities of any series or Tranche shall be the Persons entitled to vote at such meeting and their counsel, any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

## SECTION 1204. QUORUM; ACTION.

The Persons entitled to vote a majority in aggregate principal amount of the Outstanding Securities of the series and Tranches with respect to which a meeting shall have been called as hereinbefore provided, considered as one class, shall constitute a quorum for a meeting of Holders of Securities of such series and Tranches; provided, however, that if any action is to be taken at such meeting which this Indenture expressly provides may be taken by the Holders of a specified percentage, which is less than a majority, in principal amount of the Outstanding Securities of such series and Tranches, considered as one class, the Persons entitled to vote such specified percentage in principal amount of the Outstanding Securities of such series and Tranches, considered as one class, shall constitute a quorum. In the absence of a quorum within one hour of the time appointed for any such meeting, the meeting shall, if convened at the request of Holders of Securities of such series and Tranches, be dissolved. In any other case the meeting may be adjourned for such period as may be determined by the chairman of the meeting prior to the adjournment of such meeting. In the absence of a quorum at any such adjourned meeting, such adjourned meeting may be further adjourned for such period as may be determined by the chairman of the meeting prior to the adjournment of such adjourned meeting. Except as provided by Section 1205(e), notice of the reconvening of any meeting adjourned for more than thirty (30) days shall

be given as provided in Section 106 not less than ten (10) days prior to the date on which the meeting is scheduled to be reconvened. Notice of the reconvening of an adjourned meeting shall state expressly the percentage, as provided above, of the principal amount of the Outstanding Securities of such series and Tranches which shall constitute a quorum.

Except as limited by Section 1102, any resolution presented to a meeting or adjourned meeting duly reconvened at which a quorum is present as aforesaid may be adopted only by the affirmative vote of the Holders of a majority in aggregate principal amount of the Outstanding Securities of the series and Tranches with respect to which such meeting shall have been called, considered as one class; provided, however, that, except as so limited, any resolution with respect to any action which this Indenture expressly provides may be taken by the Holders of a specified percentage, which is less than a majority, in principal amount of the Outstanding Securities of such series and Tranches, considered as one class, may be adopted at a meeting or an adjourned meeting duly reconvened and at which a quorum is present as aforesaid by the affirmative vote of the Holders of such specified percentage in principal amount of the Outstanding Securities of such series and Tranches, considered as one class.

Any resolution passed or decision taken at any meeting of Holders of Securities duly held in accordance with this Section shall be binding on all the Holders of Securities of the series and Tranches with respect to which such meeting shall have been held, whether or not present or represented at the meeting.

**SECTION 1205. ATTENDANCE AT MEETINGS; DETERMINATION OF VOTING RIGHTS; CONDUCT AND ADJOURNMENT OF MEETINGS.**

(a) Attendance at meetings of Holders of Securities may be in person or by proxy; and, to the extent permitted by law, any such proxy shall remain in effect and be binding upon any future Holder of the Securities with respect to which it was given unless and until specifically revoked by the Holder or future Holder (except as provided in Section 104(g)) of such Securities before being voted.

(b) Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Holders of Securities in regard to proof of the holding of such Securities and of the appointment of proxies and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem appropriate. Except as otherwise permitted or required by any such regulations and approved by the Company, the holding of Securities shall be proved in the manner specified in Section 104 and the appointment of any proxy shall be proved in the manner specified in Section 104. Such regulations may provide that written instruments appointing proxies, regular on their face, may be presumed valid and genuine without the proof specified in Section 104 or other proof.

(c) 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 Holders as provided in Section 1202(b), in which case the Company or the Holders of Securities of the series and Tranches calling the meeting, as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the Persons entitled to vote a majority in aggregate principal amount of the Outstanding Securities of all series and Tranches represented at the meeting, considered as one class.

(d) At any meeting each Holder or proxy shall be entitled to one vote for each One Thousand Dollars (\$1,000) principal amount of Outstanding Securities held or represented by such Holder; provided, however, that no vote shall be cast or counted at any meeting in respect of any Security challenged as not Outstanding and ruled by the chairman of the meeting to be not Outstanding. The chairman of the meeting shall have no right to vote, except as a Holder of a Security or proxy.

(e) Any meeting duly called pursuant to Section 1202 at which a quorum is present may be adjourned from time to time by Persons entitled to vote a majority in aggregate principal amount of the Outstanding Securities of all series and Tranches represented at the meeting, considered as one class; and the meeting may be held as so adjourned without further notice.

**SECTION 1206. COUNTING VOTES AND RECORDING ACTION OF MEETINGS.**

The vote upon any resolution submitted to any meeting of Holders shall be by written ballots on which shall be subscribed the signatures of

the Holders or of their representatives by proxy and the principal amounts and serial numbers of the Outstanding Securities, of the series and Tranches with respect to which the meeting shall have been called, held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports of all votes cast at the meeting. A record in duplicate of the proceedings of each meeting of Holders shall be prepared by the secretary of the meeting and there shall be attached to 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 and showing that such notice was given as provided in Section 1202 and, if applicable, Section 1204. Each copy shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one such copy shall be delivered to the Company, and another to the Trustee to be preserved by the Trustee, the latter to have attached thereto the ballots voted at the meeting. Any record so signed and verified shall be conclusive evidence of the matters therein stated.

#### SECTION 1207. ACTION WITHOUT MEETING.

In lieu of a vote of Holders at a meeting as hereinbefore contemplated in this Article, any request, demand, authorization, direction, notice, consent, waiver or other action may be made, given or taken by Holders by written instruments as provided in Section 104.

### ARTICLE THIRTEEN

#### IMMUNITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS AND DIRECTORS

#### SECTION 1301. LIABILITY SOLELY CORPORATE.

No recourse shall be had for the payment of the principal of or premium, if any, or interest, if any, on any Securities, or any part thereof, or for any claim based thereon or otherwise in respect thereof, or of the indebtedness represented thereby, or upon any obligation, covenant or agreement under this Indenture, against any incorporator, stockholder, officer or director, as such, past, present or future, of the Company or of any predecessor or successor corporation (either directly or through the Company or a predecessor or successor corporation), whether by virtue of any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that this Indenture and all the Securities are solely corporate obligations and that no personal liability whatsoever shall attach to, or be incurred by, any incorporator, stockholder, officer or director, past, present or future, of the Company or of any predecessor or successor corporation, either directly or indirectly through the Company or any predecessor or successor corporation, because 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 Securities or to be implied herefrom or therefrom; and such personal liability, if any, is hereby expressly waived and released as a condition of, and as part of the consideration for, the execution and delivery of this Indenture and the issuance of the Securities.

### ARTICLE FOURTEEN

#### SUBORDINATION OF SECURITIES

#### SECTION 1401. SECURITIES SUBORDINATE TO SENIOR INDEBTEDNESS.

The Company, for itself, its successors and assigns, covenants and agrees, and each Holder of the Securities of each series, by its acceptance thereof, likewise covenants and agrees, that the payment of the principal of and premium, if any, and interest, if any, on each and all of the Securities is hereby expressly subordinated and subject to the extent and in the manner set forth in this Article, in right of payment to the prior payment in full of all Senior Indebtedness.

Each Holder of the Securities of each series, by its acceptance thereof, authorizes and directs the Trustee on its behalf to take such action as may be necessary or appropriate to effectuate the subordination as provided in this Article, and appoints the Trustee its attorney-in-fact for any and all such purposes.

#### SECTION 1402. PAYMENT OVER OF PROCEEDS OF SECURITIES.

In the event (a) of any insolvency or bankruptcy proceedings or

any receivership, liquidation, reorganization or other similar proceedings in respect of the Company or a substantial part of its property, or of any proceedings for liquidation, dissolution or other winding-up of the Company, whether or not involving insolvency or bankruptcy, or (b) subject to the provisions of Section 1403, that (i) a default shall have occurred with respect to the payment of principal of or interest on or other monetary amounts due and payable on any Senior Indebtedness, or (ii) there shall have occurred a default (other than a default in the payment of principal or interest or other monetary amounts due and payable) in respect of any Senior Indebtedness, as defined therein or in the instrument under which the same is outstanding, permitting the holder or holders thereof to accelerate the maturity thereof (with notice or lapse of time, or both), and such default shall have continued beyond the period of grace, if any, in respect thereof, and, in the cases of subclauses (i) and (ii) of this clause (b), such default shall not have been cured or waived or shall not have ceased to exist, or (c) that the principal of and accrued interest on the Securities of any series shall have been declared due and payable pursuant to Section 701 and such declaration shall not have been rescinded and annulled as provided in Section 702, then:

(1) the holders of all Senior Indebtedness shall first be entitled to receive payment of the full amount due thereon, or provision shall be made for such payment in money or money's worth, before the Holders of any of the Securities are entitled to receive a payment on account of the principal of or interest on the indebtedness evidenced by the Securities, including, without limitation, any payments made pursuant to Article Four;

(2) any payment by, or distribution of assets of, the Company of any kind or character, whether in cash, property or securities, to which any Holder or the Trustee would be entitled except for the provisions of this Article, shall be paid or delivered by the person making such payment or distribution, whether a trustee in bankruptcy, a receiver or liquidating trustee or otherwise, directly to the holders of such Senior Indebtedness or their representative or representatives or to the trustee or trustees under any indenture under which any instruments evidencing any of such Senior Indebtedness may have been issued, ratably according to the aggregate amounts remaining unpaid on account of such Senior Indebtedness held or represented by each, to the extent necessary to make payment in full of all Senior Indebtedness remaining unpaid after giving effect to any concurrent payment or distribution (or provision therefor) to the holders of such Senior Indebtedness, before any payment or distribution is made to the Holders of the indebtedness evidenced by the Securities or to the Trustee under this Indenture; and

(3) in the event that, notwithstanding the foregoing, any payment by, or distribution of assets of, the Company of any kind or character, whether in cash, property or securities, in respect of principal of or interest on the Securities or in connection with any repurchase by the Company of the Securities, shall be received by the Trustee or any Holder before all Senior Indebtedness is paid in full, or provision is made for such payment in money or money's worth, such payment or distribution in respect of principal of or interest on the Securities or in connection with any repurchase by the Company of the Securities shall be paid over to the holders of such Senior Indebtedness or their representative or representatives or to the trustee or trustees under any indenture under which any instruments evidencing any such Senior Indebtedness may have been issued, ratably as aforesaid, for application to the payment of all Senior Indebtedness remaining unpaid until all such Senior Indebtedness shall have been paid in full, after giving effect to any concurrent payment or distribution (or provision therefor) to the holders of such Senior Indebtedness.

Notwithstanding the foregoing, at any time after the 123rd day following the date of deposit of cash or Government Obligations pursuant to Section 601 (provided all conditions set out in such Section shall have been satisfied), the funds so deposited and any interest thereon will not be subject to any rights of holders of Senior Indebtedness including, without limitation, those arising under this Article Fourteen; provided that no event described in clause (e) of Section 701 with respect to the Company has occurred during such 123-day period.

For purposes of this Article only, the words "cash, property or securities" shall not be deemed to include shares of stock of the Company as reorganized or readjusted, or securities of the Company or any other corporation provided for by a plan or reorganization or readjustment which are subordinate in right of payment to all Senior Indebtedness which may at the time be outstanding to the same extent as, or to a greater extent than, the Securities are so subordinated as provided in this Article. The consolidation of the Company with, or the merger of the Company into, another corporation or the liquidation or dissolution of the Company following the conveyance or transfer of its property as an entirety, or substantially as an entirety, to another corporation upon the terms and conditions provided for in Article Ten hereof shall not be deemed a dissolution, winding-up, liquidation or reorganization for the purposes of this Section 1402 if such other corporation shall, as a part of such consolidation, merger, conveyance or transfer, comply with the conditions stated in Article Ten hereof. Nothing in Section 1401 or in this Section 1402 shall apply to claims of, or payments to, the Trustee under or pursuant to Section 807.

#### SECTION 1403. DISPUTES WITH HOLDERS OF CERTAIN SENIOR INDEBTEDNESS.

Any failure by the Company to make any payment on or perform any other obligation in respect of Senior Indebtedness, other than any indebtedness incurred by the Company or assumed or guaranteed, directly or indirectly, by the Company for money borrowed (or any deferral, renewal, extension or refunding thereof) or any other obligation as to which the provisions of this Section shall have been waived by the Company in the instrument or instruments by which the Company incurred, assumed, guaranteed or otherwise created such indebtedness or obligation, shall not be deemed a default under clause (b) of Section 1402 if (i) the Company shall be disputing its obligation to make such payment or perform such obligation and (ii) either (A) no final judgment relating to such dispute shall have been issued against the Company which is in full force and effect and is not subject to further review, including a judgment that has become final by reason of the expiration of the time within which a party may seek further appeal or review, or (B) in the event that a judgment that is subject to further review or appeal has been issued, the Company shall in good faith be prosecuting an appeal or other proceeding for review and a stay or execution shall have been obtained pending such appeal or review.

#### SECTION 1404. SUBROGATION.

Senior Indebtedness shall not be deemed to have been paid in full unless the holders thereof shall have received cash (or securities or other property satisfactory to such holders) in full payment of such Senior Indebtedness then outstanding. Subject to the prior payment in full of all Senior Indebtedness, the rights of the Holders of the Securities shall be subrogated to the rights of the holders of Senior Indebtedness to receive any further payments or distributions of cash, property or securities of the Company applicable to the holders of the Senior Indebtedness until all amounts owing on the Securities shall be paid in full; and such payments or distributions of cash, property or securities received by the Holders of the Securities, by reason of such subrogation, which otherwise would be paid or distributed to the holders of such Senior Indebtedness shall, as between the Company, its creditors other than the holders of Senior Indebtedness, and the Holders, be deemed to be a payment by the Company to or on account of Senior Indebtedness, it being understood that the provisions of this Article are and are intended solely for the purpose of defining the relative rights of the Holders, on the one hand, and the holders of the Senior Indebtedness, on the other hand.

#### SECTION 1405. OBLIGATION OF THE COMPANY UNCONDITIONAL.

Nothing contained in this Article or elsewhere in this Indenture or in the Securities is intended to or shall impair, as among the Company, its creditors other than the holders of Senior Indebtedness and the Holders, the obligation of the Company, which is absolute and unconditional, to pay to the Holders the principal of and interest on the Securities as and when the same shall become due and payable in accordance with their terms, or is intended to or shall affect the relative rights of the Holders and creditors of the Company other than the holders of Senior Indebtedness, nor shall anything herein or therein prevent the Trustee or any Holder from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, subject to the rights, if any, under this Article of the holders of Senior Indebtedness in respect of cash, property or securities of the Company received upon the exercise of any such remedy.

Upon any payment or distribution of assets or securities of the Company referred to in this Article, the Trustee and the Holders shall be entitled to rely upon any order or decree of a court of competent

jurisdiction in which such dissolution, winding-up, liquidation or reorganization proceedings are pending for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of the Senior Indebtedness and other indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon, and all other facts pertinent thereto or to this Article.

SECTION 1406. PRIORITY OF SENIOR INDEBTEDNESS UPON MATURITY.

Upon the maturity of the principal of any Senior Indebtedness by lapse of time, acceleration or otherwise, all matured principal of Senior Indebtedness and interest and premium, if any, thereon shall first be paid in full before any payment of principal or premium, if any, or interest, if any, is made upon the Securities or before any Securities can be acquired by the Company or any sinking fund payment is made with respect to the Securities (except that required sinking fund payments may be reduced by Securities acquired before such maturity of such Senior Indebtedness).

SECTION 1407. TRUSTEE AS HOLDER OF SENIOR INDEBTEDNESS.

The Trustee shall be entitled to all rights set forth in this Article with respect to any Senior Indebtedness at any time held by it, to the same extent as any other holder of Senior Indebtedness. Nothing in this Article shall deprive the Trustee of any of its rights as such holder.

SECTION 1408. NOTICE TO TRUSTEE TO EFFECTUATE SUBORDINATION.

Notwithstanding the provisions of this Article or any other provision of the Indenture, the Trustee shall not be charged with knowledge of the existence of any facts which would prohibit the making of any payment of moneys to or by the Trustee unless and until the Trustee shall have received written notice thereof from the Company, from a Holder or from a holder of any Senior Indebtedness or from any representative or representatives of such holder and, prior to the receipt of any such written notice, the Trustee shall be entitled, subject to Section 801, in all respects to assume that no such facts exist; provided, however, that, if prior to the fifth Business Day preceding the date upon which by the terms hereof any such moneys may become payable for any purpose, or in the event of the execution of an instrument pursuant to Section 602 acknowledging satisfaction and discharge of this Indenture, then if prior to the second Business Day preceding the date of such execution, the Trustee shall not have received with respect to such moneys the notice provided for in this Section, then, anything herein contained to the contrary notwithstanding, the Trustee may, in its discretion, receive such moneys and/or apply the same to the purpose for which they were received, and shall not be affected by any notice to the contrary, which may be received by it on or after such date; provided, however, that no such application shall affect the obligations under this Article of the persons receiving such moneys from the Trustee.

SECTION 1409. MODIFICATION, EXTENSION, ETC. OF SENIOR INDEBTEDNESS.

The holders of Senior Indebtedness may, without affecting in any manner the subordination of the payment of the principal of and premium, if any, and interest, if any, on the Securities, at any time or from time to time and in their absolute discretion, agree with the Company to change the manner, place or terms of payment, change or extend the time of payment of, or renew or alter, any Senior Indebtedness, or amend or supplement any instrument pursuant to which any Senior Indebtedness is issued, or exercise or refrain from exercising any other of their rights under the Senior Indebtedness including, without limitation, the waiver of default thereunder, all without notice to or assent from the Holders or the Trustee.

SECTION 1410. TRUSTEE HAS NO FIDUCIARY DUTY TO HOLDERS OF SENIOR INDEBTEDNESS.

With respect to the holders of Senior Indebtedness, the Trustee undertakes to perform or to observe only such of its covenants and objectives as are specifically set forth in this Indenture, and no implied covenants or obligations with respect to the holders of Senior Indebtedness shall be read into this Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Indebtedness, and shall not be liable to any such holders if it shall mistakenly pay over or deliver to the Holders or the Company or any other Person, money or assets to which any holders of Senior Indebtedness shall be entitled by virtue of this Article or otherwise.

SECTION 1411. PAYING AGENTS OTHER THAN THE TRUSTEE.

Incase at any time any Paying Agent other than the Trustee shall

have been appointed by the Company and be then acting hereunder, the term "Trustee" as used in this Article shall in such case (unless the context shall otherwise require) be construed as extending to and including such Paying Agent within its meaning as fully for all intents and purposes as if such Paying Agent were named in this Article in addition to or in place of the Trustee; provided, however, that Sections 1407, 1408 and 1410 shall not apply to the Company if it acts as Paying Agent.

SECTION 1412. RIGHTS OF HOLDERS OF SENIOR INDEBTEDNESS NOT IMPAIRED.

No right of any present or future holder of Senior Indebtedness to enforce the subordination herein shall at any time or in any way be prejudiced or impaired by any act or failure to act on the part of the Company or by any noncompliance by the Company with the terms, provisions and covenants of this Indenture, regardless of any knowledge thereof any such holder may have or be otherwise charged with.

SECTION 1413. EFFECT OF SUBORDINATION PROVISIONS; TERMINATION.

Notwithstanding anything contained herein to the contrary, other than as provided in the immediately succeeding sentence, all the provisions of this Indenture shall be subject to the provisions of this Article, so far as the same may be applicable thereto.

Notwithstanding anything contained herein to the contrary, the provisions of this Article Fourteen shall be of no further effect with respect to all or a portion of Senior Indebtedness, and the Securities shall no longer be subordinated in right of payment to the prior payment of such Senior Indebtedness, to the extent that the Company shall have delivered to the Trustee a notice to such effect specifying therein such Senior Indebtedness to which the Securities shall no longer be subordinated. Any such notice delivered by the Company shall not be deemed to be a supplemental indenture for purposes of Article Twelve hereof.

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IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed as of the day and year first above written.

THE WASHINGTON WATER POWER COMPANY

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

WILMINGTON TRUST COMPANY, Trustee

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



## THE WASHINGTON WATER POWER COMPANY

OFFICER'S CERTIFICATE  
(Under Section 301 of the Indenture,  
dated as of \_\_\_\_\_ 1, 199\_)

I, the undersigned Lawrence J. Pierce, a Vice President and the Treasurer of THE WASHINGTON WATER POWER COMPANY (the "Company"), in accordance with Section 301 of the Indenture, dated as of \_\_\_\_\_ 1, 199\_ (the "Indenture", capitalized terms used herein and not defined herein having the meanings specified in the Indenture), of the Company to Wilmington Trust Company, trustee (the "Trustee"), do hereby establish a series of Securities having the terms and characteristics set forth below (the lettered clauses set forth below corresponding to the lettered subsections of Section 301 of the Indenture):

(a) the title of the Securities of such series shall be " \_\_\_% Junior Subordinated Deferrable Interest Debentures, Series A (the "Debentures"); the Debentures are to be issued and sold to Washington Water Power Capital I, a Washington Water Power Trust; and all references herein to the Declaration, the Institutional Trustee and the Trust Securities relate to such Washington Water Power Trust;

(b) the aggregate principal amount of Debentures which may be authenticated and delivered under the Indenture shall be limited to \$\_\_\_\_\_, except as contemplated in Section 301(b) of the Indenture;

(c) interest on the Debentures shall be payable to the Person or Persons in whose names the Debentures are registered at the close of business on the Regular Record Date for such interest, except as otherwise expressly provided in the form of Debenture attached hereto and hereby authorized and approved;

(d) the principal of the Debentures shall be payable on \_\_\_\_\_, 20\_\_;

(e) (i) the Debentures shall bear interest at the rate of \_\_\_% per annum of the principal amount thereof, payable \_\_\_\_\_ in arrears on \_\_\_\_\_ of each year (each, an "Interest Payment Date"), commencing \_\_\_\_\_, 199\_;

(ii) interest on the Debentures shall accrue from, and including, the date of original issuance and will accrue to, and including, the first Interest Payment Date, and thereafter will accrue from, and including, the day next succeeding the most recent Interest Payment Date through which interest has been paid or duly provided for to, and including, the next succeeding Interest Payment Date (each such period of interest accrual being hereinafter called a "Scheduled Interest Period"). In the event that any Interest Payment Date is not a Business Day, then payment of the interest payable on such date shall be made on the next succeeding Business Day, except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day; and, if such payment is made or duly provided for on such next succeeding Business Day, no interest shall accrue on such amount for the period from and after such Interest Payment Date to such Business Day; and, if such payment is made or duly provided for on such next preceding Business Day, the amount of such payment shall not reflect any reduction in the amount of interest accrued;

(iii) interest that is in arrears for more than one Scheduled Interest Period shall bear additional

interest on the amount thereof, to the extent permitted by law, at the rate of \_\_\_% per annum thereof, compounded \_\_\_\_\_;

(iv) so long as no Event of Default shall have occurred and be continuing, the Company shall have the right, at any time and from time to time, to extend the interest payment period with respect to the Debentures to a period not exceeding \_\_ consecutive Scheduled Interest Periods from the last Interest Payment Date to which interest was paid in full (an "Extension Period") during which period interest will be compounded \_\_\_\_\_. Prior to the termination of the Extension Period, the Company may, and at the end of the Extension Period the Company shall, pay all interest accrued (together with interest thereon at the rate of \_\_\_% per annum to the extent permitted by applicable law). Upon such payment in full, such Extension Period shall terminate. Prior to the termination of any such Extension Period, the Company may further extend the interest payment period; provided, however, that such Extension Period, together with all such previous and further extensions thereof, shall not exceed \_\_ consecutive Scheduled Interest Periods or extend beyond the Stated Maturity of the Debentures. Upon termination of any such Extension Period and upon the payment of all accrued interest then due, the Company may elect to begin a new Extension Period, subject to the above requirements. No interest shall be due and payable during an Extension Period, except at the end thereof. The Company shall give the Trustee and the trustees of the Washington Water Power Trust written notice of (i) any election by the Company to initiate an Extension Period and the duration thereof, (ii) any election by the Company to extend an Extension Period beyond the date on which that Extension Period is then scheduled to terminate and the duration of such extension and (iii) any election by the Company to make a full payment of interest accrued on the Debentures on any date during an Extension Period and the amount of such payment. The Company shall give such notice of any election described in clause (i) or (ii) in the next preceding sentence not less than 10 days prior to the Regular Record Date with respect to the next Interest Payment Date on which interest on the Debentures would otherwise be payable; and the Company shall give such notice of any election described in clause (iii) in the next preceding sentence in accordance with the provisions of Section 307 of the Indenture.

(f) the corporate trust office of Wilmington Trust Company in Wilmington, Delaware shall be the place at which (i) the principal of, premium, if any, and interest, if any, on the Debentures at Maturity shall be payable upon presentment, interest prior to Maturity to be paid as specified in the form of Debenture attached hereto, (ii) registration of transfer of the Debentures may be effected, (iii) exchanges of Debentures may be effected and (iv) notices and demands to or upon the Company in respect of the Debentures and the Indenture may be served; and Wilmington Trust Company shall be the Security Registrar and a Paying Agent for the Debentures; provided, however, that the Company reserves the right to change, by one or more Officer's Certificates supplemental to this Officer's Certificate, any such place or the Security Registrar or such Paying Agent; and provided, further, that the Company reserves the right to designate, by one or more Officer's Certificates supplemental to this Officer's Certificate, its principal corporate office in Spokane, Washington as any such place or itself as the Security Registrar;

(g) (i) the Debentures shall be subject to redemption at any time on or after \_\_\_\_\_, 20\_\_, in whole or in part, at the election of the Company, at a redemption price equal to 100% of the principal amount thereof plus accrued interest, if any (including Additional Interest (as defined herein), if any), to the date fixed for redemption; provided, however, that the Debentures shall not be so redeemable in part unless all interest (including any Additional Interest) accrued through the most recent

\_\_\_\_\_ interest period ended on or prior to the date fixed for redemption shall have been paid;

(ii) the Debentures shall be subject to redemption, in whole but not in part, at the election of the Company, on any date within 90 days of the occurrence, and during the continuation, of a Tax Event (as defined herein) at a redemption price equal to \_\_\_% of the principal amount thereof plus accrued interest, if any (including Additional Interest, if any), to the date fixed for redemption;

"Tax Event" means the receipt by the Company of an opinion of counsel to the effect that, as a result of (a) any amendment to, clarification of or change (including any announced prospective change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein affecting taxation, (b) any judicial decision, official administrative pronouncement, ruling, regulatory procedure, notice or announcement, including any notice or announcement of intent to adopt such procedures or regulations (an "Administrative Action") or (c) any amendment to, clarification of, or change in the official position or the interpretation of such Administrative Action or judicial decision that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification or change is made known, which amendment, clarification, or change is effective or such pronouncement or decision is announced, in each case, on or after, the date of the original issuance of the Debentures (including the enactment of any legislation or the publication of any judicial decision or regulatory determination on or after such date), there is more than an insubstantial risk that (i) the Washington Water Power Trust, if any, holding the Debentures is or will be within 90 days of the date of such amendment, clarification or change, subject to United States federal income tax with respect to interest accrued or received on the Debentures, (ii) such Washington Water Power Trust is, or will be within 90 days of the date of such amendment, clarification or change, subject to more than a de minimis amount of taxes, duties or other governmental charges or (iii) interest payable on the Debentures is not, or within 90 days of the date of such amendment, clarification or change will not be, deductible, in whole or in part, by the Company for United States federal income tax purposes;

(h) inapplicable;

(i) inapplicable;

(j) inapplicable;

(k) inapplicable;

(l) inapplicable;

(m) inapplicable;

(n) inapplicable;

(o) inapplicable;

(p) inapplicable;

(q) inapplicable;

(r) inapplicable;

(s) (i) the Debentures are to be initially registered in the name of Wilmington Trust Company, as Institutional Trustee of the Washington Water Power Trust. The Debentures shall not be transferable, nor shall any purported transfer be registered, except (A) to a nominee of such Institutional Trustee, to such Institutional Trustee by such nominee, by such Institutional Trustee to another

nominee, by any such nominee to a successor nominee or by such Institutional Trustee or any nominee thereof to a successor Institutional Trustee or a nominee thereof or (B) to the holders of Trust Securities in the event of the termination of the Washington Water Power Trust in accordance with the provisions of the Declaration;

(ii) no service charge shall be made for the registration of transfer or exchange of Debentures; provided, however, that, after any distribution of the Debentures contemplated in clause (i)(B) above, the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with the exchange or transfer;

(t) (i) "Business Days" shall be determined by reference to both the City of Wilmington, Delaware or other Place of Payment and to The City of New York;

(ii) reference is made to clause(e)(ii) above; and

(u) (i) if, at any time while the Institutional Trustee is the Holder of the Debentures, the Washington Water Power Trust or the Institutional Trustee is required to pay any taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed by the United States, or any other taxing authority, then, in any such case, the Company will pay as additional interest ("Additional Interest") on the Debentures such additional amounts as shall be required so that the net amounts received and retained by the Washington Water Power Trust and the Institutional Trustee after paying such taxes, duties, assessments or other governmental charges will be equal to the amounts such trust and trustee would have received had no such taxes, duties, assessments or other governmental charges been imposed;

(ii) if at any time the Debentures are to be held by a securities depository, the Company may at such time establish the matters contemplated in clause (q) in the second paragraph of Section 301 of the Indenture in an Officer's Certificate supplemental to this Officer's Certificate; and

(iii) if the Debentures are distributed to the holders of the Trust Securities upon termination of the Washington Water Power Trust in accordance with the provisions of the Declaration, the Company will use all reasonable efforts to cause the Debentures to be listed on the New York Stock Exchange or on such other securities exchange as the Trust Securities (other than Trust Securities initially issued and sold to the Company) shall be listed.

(iv) if the Company shall make any deposit of money and/or Government Obligations with respect to any Debentures, or any portion of the principal amount thereof, as contemplated by Section 601 of the Indenture, the Company shall not deliver an Officer's Certificate described in clause (z) in the first paragraph of said Section 601 unless the Company shall also deliver to the Trustee, together with such Officer's Certificate, either:

(A) an instrument wherein the Company, notwithstanding the satisfaction and discharge of its indebtedness in respect of the Debentures, shall assume the obligation (which shall be absolute and unconditional) to irrevocably deposit with the Trustee or Paying Agent such additional sums of money, if any, or additional Government Obligations (meeting the requirements of Section 601), if any, or any combination thereof, at such time or times, as shall be necessary, together with the money and/or Government Obligations theretofore so deposited, to pay when due the principal of and premium, if any, and interest due and to become due on such Debentures or portions thereof, all in accordance with and subject to the provisions of said Section 601; provided, however, that such instrument may state that the obligation of the

Company to make additional deposits as aforesaid shall be subject to the delivery to the Company by the Trustee of a notice asserting the deficiency accompanied by an opinion of an independent public accountant of nationally recognized standing, selected by the Trustee, showing the calculation thereof; or

(B) an Opinion of Counsel to the effect that the Holders of such Debentures, or portions of the principal amount thereof, will not recognize income, gain or loss for United States federal income tax purposes as a result of the satisfaction and discharge of the Company's indebtedness in respect thereof and will be subject to United States federal income tax on the same amounts, at the same times and in the same manner as if such satisfaction and discharge had not been effected.

IN WITNESS WHEREOF, I have executed this Officer's Certificate this \_\_\_\_ day of \_\_\_\_\_, 199\_.

FORM OF DEBENTURE

(See legend at the end of this Security for restrictions on transfer and change of form)

THE WASHINGTON WATER POWER COMPANY  
\_\_% Junior Subordinated Deferrable Interest Debentures, Series A, due 20\_\_

Original Interest Accrual Date:                      Initial Redemption Date:  
Stated Maturity:  
Redemption Price:  
Interest Rate:  
Interest Payment Dates:  
Regular Record Dates:

OID: Yes\_\_ No\_\_  
Total Amount of OID (%):  
Yield to Maturity (%):  
Initial Accrual  
Period OID (%):  
(Constant Yield Method)

This Security is not a Discount Security within the meaning of the within-mentioned Indenture.

-----  
Principal Amount                                      Registered No.  
\$

THE WASHINGTON WATER POWER COMPANY, a corporation duly organized and existing under the laws of the State of Washington (herein called the "Company," which term includes any successor corporation under the Indenture referred to below), for value received, hereby promises to pay to

or registered assigns, the principal sum of

DOLLARS

on the Stated Maturity specified above, and to pay interest thereon from the Original Interest Accrual Date specified above

or from the day next succeeding the most recent Interest Payment Date through which interest has been paid or duly provided for, \_\_\_\_\_ in arrears on the Interest Payment Dates specified above in each year, commencing with the Interest Payment Date next succeeding the Original Interest Accrual Date specified above, and at Maturity, at the Interest Rate per annum specified above, until the principal hereof is paid or duly provided for (each such period of interest accrual being hereinafter called a "Scheduled Interest Period"). The interest so payable, and paid or duly provided for, on any Interest Payment Date shall, as provided in such Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date specified above (whether or not a Business Day) next preceding such Interest Payment Date. Notwithstanding the foregoing, interest payable at Maturity shall be paid to the Person to whom principal shall be paid. Except as otherwise provided in said Indenture, any such interest not so paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Unpaid Interest to be fixed by the Trustee, notice of which shall be given to Holders of Securities of this series not less than 15 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities of this series may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.

Interest that is in arrears for more than one Scheduled Interest Period shall bear additional interest on the amount thereof, to the extent permitted by law, at the rate of \_\_\_% per annum thereof, compounded \_\_\_\_\_.

So long as no Event of Default shall have occurred and be continuing, the Company shall have the right, at any time and from time to time, to extend the interest payment period with respect to the Securities of this Series to a period not exceeding \_\_\_ consecutive Scheduled Interest Periods from the last Interest Payment Date to which interest was paid in full (an "Extension Period") during which period interest will be compounded \_\_\_\_\_. Prior to the termination of the Extension Period, the Company may, and at the end of the Extension Period the Company shall, pay all interest accrued on this Security (together with interest thereon at the rate of \_\_\_% per annum to the extent permitted by applicable law). Upon such payment in full, such Extension Period shall terminate. Prior to the termination of any such Extension Period, the Company may further extend the interest payment period; provided, however, that such Extension Period, together with all such previous and further extensions thereof, shall not exceed \_\_\_ consecutive Scheduled Interest Periods or extend beyond the Stated Maturity of this Security. Upon termination of any such Extension Period and upon the payment of all accrued interest then due, the Company may elect to begin a new Extension Period, subject to the above requirements. No interest shall be due and payable during an Extension Period, except at the end thereof.

Payment of the principal of and premium, if any, on this Security and interest hereon at Maturity shall be made upon presentation of this Security at the corporate trust office of Wilmington Trust Company in Wilmington, Delaware or at such other office or agency as may be designated for such purpose by the Company from time to time. Payment of interest on this Security (other than interest at Maturity) shall be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register, except that if such Person shall be a Washington Water Power Trust (as defined in the Indenture referred to below) or securities depositary, such payment may be made by such other means in lieu of check, as shall be agreed upon by the Company, the Trustee and such Person. Payment of the principal of and premium, if any, and interest on this Security, as aforesaid, shall be made in such coin or currency of the United States of America as at the time of

payment shall be legal tender for the payment of public and private debts.

This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities"), issued and issuable in one or more series under and equally secured by an Indenture, dated as of \_\_\_\_\_ 1, 199\_ (such Indenture as originally executed and delivered and as supplemented or amended from time to time thereafter, together with any constituent instruments establishing the terms of particular Securities, being herein called the "Indenture"), between the Company and Wilmington Trust Company, trustee (herein called the "Trustee," which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the respective rights, limitations of rights, duties and immunities of the Company, the Trustee and the Holders of the Securities thereunder and of the terms and conditions upon which the Securities are, and are to be, authenticated and delivered and secured. Capitalized terms used herein and not defined herein have the meanings specified in the Indenture. The acceptance of this Security shall be deemed to constitute the consent and agreement by the Holder hereof to all of the terms and provisions of the Indenture. This Security is one of the series designated above.

If any Interest Payment Date, any Redemption Date or the Stated Maturity shall not be a Business Day (as hereinafter defined), payment of the amounts due on this Security on such date may be made on the next succeeding Business Day, except that, in the case of an Interest Payment Date, if such Business Day is in the next succeeding calendar year, such payment shall be made on the next preceding Business Day; and, if such payment is made or duly provided for on such next succeeding Business Day, no interest shall accrue on such amounts for the period from and after such Interest Payment Date, Redemption Date or Stated Maturity, as the case may be, to such Business Day; and, if such payment of interest is made or duly provided for on such next preceding Business Day, the amount of such payment shall not reflect any reduction in the amount of interest accrued.

The Securities of this series are subject to redemption at any time on or after the Initial Redemption Date specified above, in whole or in part, at the election of the Company, at a redemption price equal to 100% of the principal amount thereof plus accrued interest, if any, (including Additional Interest (as defined herein) if any), to the date fixed for redemption; provided, however, that the Securities of this series shall not be so redeemable in part unless all interest (including any Additional Interest) accrued through the most recent \_\_\_\_\_ interest period ended on or prior to the date fixed for redemption shall have been paid.

The Securities of this series are subject to redemption, in whole but not in part, at the election of the Company, on any date within 90 days of the occurrence, and during the continuation, of a Tax Event (as defined herein) at a redemption price equal to \_\_\_% of the principal amount thereof plus accrued interest, if any (including Additional Interest, if any), to the date fixed for redemption.

"Tax Event" means the receipt by the Company of an opinion of counsel to the effect that, as a result of (a) any amendment to, clarification of or change (including any announced prospective change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein affecting taxation, (b) any judicial decision, official administrative pronouncement, ruling, regulatory procedure, notice or announcement, including any notice or announcement of intent to adopt such procedures or regulations (an "Administrative Action") or (c) any amendment to, clarification of, or change in the official position or the interpretation of such Administrative Action or judicial decision that differs from the theretofore generally accepted position, in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification or change is made known, which

amendment, clarification, or change is effective or such pronouncement or decision is announced, in each case, on or after, the date of the original issuance of the Securities of this series (including the enactment of any legislation or the publication of any judicial decision or regulatory determination on or after such date), there is more than an insubstantial risk that (i) the Washington Water Power Trust, if any, which is the Holder of this Security is or will be within 90 days of the date of such amendment, clarification or change, subject to United States federal income tax with respect to interest accrued or received on the Securities of this series, (ii) such Washington Water Power Trust is, or will be within 90 days of the date of such amendment, clarification or change, subject to more than a de minimis amount of taxes, duties or other governmental charges or (iii) interest payable on the Securities of this series is not, or within 90 days of the date of such amendment, clarification or change will not be, deductible, in whole or in part, by the Company for United States federal income tax purposes.

Notice of redemption shall be given by mail to Holders of Securities, not less than 30 days nor more than 60 days prior to the date fixed for redemption, all as provided in the Indenture. As provided in the Indenture, notice of redemption at the election of the Company as aforesaid may state that such redemption shall be conditional upon the receipt by the Trustee of money sufficient to pay the principal of and premium, if any, and interest, if any, on this Security on or prior to the date fixed for such redemption; a notice of redemption so conditioned shall be of no force or effect if such money is not so received and, in such event, the Company shall not be required to redeem this Security.

In the event of redemption of this Security in part only, a new Security or Securities of this series, of like tenor, representing the unredeemed portion hereof shall be issued in the name of the Holder hereof upon the cancellation hereof.

If, at any time while the Institutional Trustee is the Holder of the Securities of this series, the Washington Water Power Trust or the Institutional Trustee is required to pay any taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed by the United States, or any other taxing authority, then, in any such case, the Company will pay as additional interest ("Additional Interest") on the Securities of this series such additional amounts as shall be required so that the net amounts received and retained by the Washington Water Power Trust and the Institutional Trustee after paying such taxes, duties, assessments or other governmental charges will be equal to the amounts such trust and trustee would have received had no such taxes, duties, assessments or other governmental charges been imposed.

If an Event of Default with respect to the Securities of this series shall occur and be continuing, the principal of this Security may be declared due and payable in the manner and with the effect provided in the Indenture.

The indebtedness evidenced by this Security is, to the extent provided in the Indenture, subordinated and subject in right of payment to the prior payment in full of all Senior Indebtedness, and this Security is issued subject to the provisions of the Indenture with respect thereto. Each Holder of this Security, by accepting the same, (a) agrees to and shall be bound by such provisions, (b) authorizes and directs the Trustee on his behalf to take such action as may be necessary or appropriate to acknowledge or effectuate the subordination so provided and (c) appoints the Trustee his attorney-in-fact for any and all such purposes. Each Holder hereof, by his acceptance hereof, hereby waives all notice of the acceptance of the subordination provisions contained herein and in the Indenture by each holder of Senior Indebtedness, whether now outstanding or hereafter incurred, and waives reliance by each such Holder upon said provisions.

The Indenture permits, with certain exceptions as therein provided, the Trustee to enter into one or more supplemental indentures for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Indenture with the consent of the Holders of not less than a



majority in aggregate principal amount of the Securities of all series then Outstanding under the Indenture, considered as one class; provided, however, that if there shall be Securities of more than one series Outstanding under the Indenture and if a proposed supplemental indenture shall directly affect the rights of the Holders of Securities of one or more, but less than all, of such series, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Securities of all series so directly affected, considered as one class, shall be required; and provided, further, that if the Securities of any series shall have been issued in more than one Tranche and if the proposed supplemental indenture shall directly affect the rights of the Holders of Securities of one or more, but less than all, of such Tranches, then the consent only of the Holders of a majority in aggregate principal amount of the Outstanding Securities of all Tranches so directly affected, considered as one class, shall be required; and provided, further, that the Indenture permits the Trustee to enter into one or more supplemental indentures for limited purposes without the consent of any Holders of Securities. The Indenture also contains provisions permitting the Holders of a majority in principal amount of the Securities then Outstanding, on behalf of the Holders of all Securities, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange therefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

As provided in the Indenture and subject to certain limitations therein set forth, this Security or any portion of the principal amount hereof will be deemed to have been paid for all purposes of the Indenture and to be no longer Outstanding thereunder, and, at the election of the Company, the Company's entire indebtedness in respect thereof will be satisfied and discharged, if there has been irrevocably deposited with the Trustee or any Paying Agent (other than the Company), in trust, money in an amount which will be sufficient and/or Eligible Obligations, the principal of and interest on which when due, without regard to any reinvestment thereof, will provide moneys which, together with moneys so deposited, will be sufficient to pay when due the principal of and interest on this Security when due.

The Indenture contains terms, provisions and conditions relating to the consolidation or merger of the Company with or into, and the conveyance or other transfer, or lease, of assets to, another Person, to the assumption by such other Person, in certain circumstances, of all of the obligations of the Company under the Indenture and on the Securities and to the release and discharge of the Company, in certain circumstances, from such obligation.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office of Wilmington Trust Company in Wilmington, Delaware or such other office or agency as may be designated by the Company from time to time, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities of this series of authorized denominations and of like tenor and aggregate principal amount, will be issued to the designated transferee or transferees.

The Securities of this series are issuable only as registered Securities, without coupons, and in denominations of \$\_\_ and integral multiples thereof. As provided in the Indenture and subject to certain limitations therein set forth, Securities of this series are exchangeable for a like aggregate principal amount of Securities of the same series and Tranche, of any authorized denominations, as requested by the Holder surrendering the same, and of like tenor upon surrender of the Security or Securities to be exchanged at the office of Wilmington Trust Company in Wilmington, Delaware or such other office or agency as

may be designated by the Company from time to time.

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

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the absolute owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

The Indenture and the Securities shall be governed by and construed in accordance with the laws of the State New York.

As used herein, "Business Day" means any day, other than a Saturday or Sunday, which is not a day on which banking institutions or trust companies in the City of Wilmington, Delaware and other city in which is located any office or agency maintained for the payment of principal, premium, if any, or interest on this Security and in The City of New York, are authorized or required by law, regulation or executive order to remain closed. All other terms used in this Security which are defined in the Indenture shall have the meanings assigned to them in the Indenture.

As provided in the Indenture, no recourse shall be had for the payment of the principal of or premium, if any, or interest on any Securities, or any part thereof, or for any claim based thereon or otherwise in respect thereof, or of the indebtedness represented thereby, or upon any obligation, covenant or agreement under the Indenture, against, and no personal liability whatsoever shall attach to, or be incurred by, any incorporator, shareholder, officer or director, as such, past, present or future of the Company or of any predecessor or successor corporation (either directly or through the Company or a predecessor or successor corporation), whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly agreed and understood that the Indenture and all the Securities are solely corporate obligations and that any such personal liability is hereby expressly waived and released as a condition of, and as part of the consideration for, the execution of the Indenture and the issuance of the Securities.

Unless the certificate of authentication hereon has been executed by the Trustee or an Authenticating Agent by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

THE WASHINGTON WATER POWER COMPANY

By: \_\_\_\_\_  
[Title]

CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

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

\_\_\_\_\_, OR \_\_\_\_\_,  
AS TRUSTEE AS TRUSTEE

By: \_\_\_\_\_ BY: [ \_\_\_\_\_ ],  
Authorized Officer AS AUTHENTICATING AGENT

By: \_\_\_\_\_  
Authorized Officer

This Security shall not be transferable, nor shall be any purported transfer be registered, except (a) to a nominee of Wilmington Trust Company, as Institutional Trustee, to such Institutional Trustee by such nominee, by such Institutional Trustee to another nominee, by any such nominee to a successor nominee or by such Institutional Trustee or any nominee thereof to a successor Institutional Trustee or a nominee thereof or (B) to the holders of Trust Securities in the event of the termination of the Washington Water Power Trust in accordance with the provisions of the Declaration.

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

\_\_\_\_\_  
[please insert social security or other identifying number of assignee]

\_\_\_\_\_  
[please print or typewrite name and address of assignee]

the within Security of THE WASHINGTON WATER POWER COMPANY and does hereby irrevocably constitute and appoint \_\_\_\_\_, Attorney, to transfer said Security on the books of the within-mentioned Company, with full power of substitution in the premises.

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

Notice: The signature to this assignment must correspond with the name as written upon by face of the Security in every

particular without alteration or enlargement or any change whatsoever.

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SECURITIES GUARANTEE AGREEMENT

Washington Water Power Capital I

Dated as of \_\_\_\_\_, 199\_

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THE WASHINGTON WATER POWER COMPANY

Reconciliation and Tie between Trust Indenture Act of 1939 and  
 Securities Guarantee, dated as of \_\_\_\_\_ 1, 199\_\*

Trust Indenture Act Section	Securities Guarantee Section(s)
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Section 310(a)(1)	4.1(a)
(a)(2)	4.1(a)
(a)(3)	Not Applicable
(a)(4)	Not Applicable
(b)	2.8, 4.1(c), 4.1(d)
(c)	Not Applicable
Section 311(a)	2.2(b)
(b)	2.2(b)
(c)	Not Applicable
Section 312(a)	2.2(a)
(b)	2.2(b)
Section 313	2.3
Section 314(a)	2.4
(b)	Not Applicable
(c)	2.5
(d)	Not Applicable
(e)	1.1 (Definition of Officer's Certificate)
Section 315(a)	3.1(c)
(b)	2.7(a)
(c)	3.1(d)
(d)	3.1(e)
Section 316(a)(1)	2.6, 5.4(a)
(b)	5.4(b)
(c)	Not Applicable
Section 317	3.1(f)
Section 318	2.1

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\* This Reconciliation and Tie does not constitute part of the Securities Guarantee and shall not affect the interpretation of any of its terms or provisions.

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SECURITIES GUARANTEE AGREEMENT

This GUARANTEE AGREEMENT (the "Securities Guarantee"), dated as of \_\_\_\_\_, 199\_, is executed and delivered by The Washington Water Power Company, a Washington corporation (the "Guarantor"), and Wilmington Trust Company, a Delaware banking corporation, not in its individual capacity, but solely as trustee (the "Guarantee Trustee"), for the benefit of the Holders (as defined herein) from time to time of the Securities (as defined herein) of Washington Water Power Capital I, a Delaware statutory business trust (the "Issuer").

WHEREAS, pursuant to an Amended and Restated Declaration of Trust (the "Declaration"), dated as of \_\_\_\_\_, 199\_, among the trustees of the Issuer named therein, the Guarantor, as sponsor, and the holders from time to time of undivided beneficial interests in the assets of the Issuer, the Issuer is issuing on the date hereof \_\_\_\_\_ securities, having an aggregate liquidation amount of \$\_\_\_\_\_, designated the \_\_\_\_% \_\_\_\_\_ Securities, Series A (the "Securities");

WHEREAS, as incentive for the Holders to purchase the Securities, the Guarantor desires irrevocably and unconditionally to agree, to the extent set forth in this Securities Guarantee, to pay to the Holders of the Securities the Guarantee Payments (as defined herein); and

WHEREAS, the Guarantor is also executing and delivering a guarantee agreement (the "Common Securities Guarantee") in substantially identical terms to this Securities Guarantee for the benefit of the holders of the Common Securities (as defined herein), except that if an Event of Default (as defined in the Indenture), has occurred and is continuing, the rights of holders of the Common Securities to receive Guarantee Payments (as defined in the Common Securities Guarantee) under the Common Securities Guarantee are subordinated to the rights of Holders of Securities to receive Guarantee Payments under this Securities Guarantee.

NOW, THEREFORE, in consideration of the purchase by each Holder of Securities, which purchase the Guarantor hereby agrees shall benefit the Guarantor, the Guarantor executes and delivers this Securities Guarantee for the benefit of the Holders.

ARTICLE I  
DEFINITIONS AND INTERPRETATION

SECTION 1.1 Definitions and Interpretation  
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In this Securities Guarantee, unless the context otherwise requires:

(a) Capitalized terms used in this Securities Guarantee but not defined in the preamble above have the respective meanings assigned to them in this Section 1.1;

(b) terms defined in the Declaration as at the date of



execution of this Securities Guarantee have the same meaning when used in this Securities Guarantee unless otherwise defined in this Securities Guarantee;

- (c) a term defined anywhere in this Securities Guarantee has the same meaning throughout;
- (d) all references to "the Securities Guarantee" or "this Securities Guarantee" are to this Securities Guarantee as modified, supplemented or amended from time to time;
- (e) all references in this Securities Guarantee to Articles and Sections are to Articles and Sections of this Securities Guarantee, unless otherwise specified;
- (f) a term defined in the Trust Indenture Act has the same meaning when used in this Securities Guarantee, unless otherwise defined in this Securities Guarantee or unless the context otherwise requires; and
- (g) a reference to the singular includes the plural and vice versa.

"Affiliate" has the same meaning as given to that term in  
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Rule 405 of the Securities Act of 1933, as amended, or any successor rule thereunder.

"Business Day" means any day other than a day on which  
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banking institutions in the City of New York, New York are authorized or required by any applicable law to close.

"Common Securities" means the securities representing  
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common undivided beneficial interests in the assets of the Issuer.

"Corporate Trust Office" means the office of the  
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Guarantee Trustee at which the corporate trust business of the Guarantor shall, at any particular time, be principally administered, which office at the date of execution of this Agreement is located at Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890.

"Covered Person" means any Holder or beneficial owner of  
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Securities.

"Debentures" means the series of junior subordinated  
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debt securities of the Guarantor designated the \_\_\_% Junior Subordinated Deferrable Interest Debentures, Series A, due 20\_\_ held by the Institutional Trustee of the Issuer.

"Event of Default" means a default by the Guarantor on  
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any of its payment or other obligations under this Securities Guarantee.

"Guarantee Payments" means the following payments or

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distributions, without duplication, with respect to the Securities, to the extent not paid or made by the Issuer: (i) any accrued and unpaid Distributions that are required to be paid on such Securities to the extent the Issuer shall have funds available therefor, (ii) the redemption price, including all accrued and unpaid Distributions to the date of redemption (the "Redemption Price") to the extent the Issuer shall have funds available therefor, with respect to any Securities called for redemption by the Issuer, and (iii) upon a voluntary or involuntary dissolution, winding-up or termination of the Issuer (other than in connection with the distribution of Debentures to the Holders in exchange for Securities as provided in the Declaration), the lesser of (a) the aggregate of the liquidation amount and all accrued and unpaid Distributions on the Securities to the date of payment and (b) the amount of assets of the Issuer remaining available for distribution to Holders in liquidation of the Issuer (in either case, the "Liquidation Distribution").

"Holder" means any holder, as registered on the books

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and records of the Issuer of any Securities; provided, however, that in determining whether the holders of the requisite percentage of Securities have given any request, notice, consent or waiver hereunder, "Holder" shall not include the Guarantor or any Affiliate of the Guarantor.

"Indemnified Person" means the Guarantee Trustee, any

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Affiliate of the Guarantee Trustee, or any officers, directors, shareholders, members, partners, employees, representatives, nominees, custodians or agents of the Guarantee Trustee.

"Indenture" means the Indenture dated as of \_\_\_\_\_ 1,

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199\_, between the Guarantor (the "Debenture Issuer") and Wilmington Trust Company, as trustee, as supplemented, pursuant to which certain subordinated debt securities of the Debenture Issuer are to be issued to the Property Trustee of the Issuer.

"Majority in liquidation amount of the Securities"

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means, except as provided by the Trust Indenture Act, a vote by Holder(s) of Securities, voting separately as a class, of more than 50% of the liquidation amount (including the stated amount that would be paid on redemption, liquidation or otherwise, plus accrued and unpaid Distributions to the date upon which the voting percentages are determined) of all Securities.

"Officer's Certificate" means, with respect to any

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Person, a certificate signed by an Authorized Officer of such Person. Any Officer's Certificate delivered with respect to compliance with a condition or covenant provided for in this Securities Guarantee shall include:

(a) a statement that the officer signing the Officer's Certificate has read the covenant or condition and the definition relating thereto;

(b) a brief statement of the nature and scope of the examination or investigation undertaken by the officer in rendering the Officer's Certificate;

(c) a statement that such officer has made such examination or investigation as, in such officer's opinion, is necessary to enable such officer to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of such

officer, such condition or covenant has been complied with.

"Person" means a legal person, including any  
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individual, corporation, estate, partnership, joint venture,  
association, joint stock company, limited liability company,  
trust, unincorporated association, or government or any agency or  
political subdivision thereof, or any other entity of whatever  
nature.

"Guarantee Trustee" means Wilmington Trust Company, a  
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Delaware banking corporation, until a Successor Guarantee Trustee  
has been appointed and has accepted such appointment pursuant to  
the terms of this Securities Guarantee and thereafter means each  
such Successor Guarantee Trustee.

"Responsible Officer" means, with respect to the  
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Guarantee Trustee, any officer within the Corporate Trust Office  
of the Guarantee Trustee, including any vice president, any  
assistant vice president, any assistant secretary, the treasurer,  
any assistant treasurer or other officer of the Corporate Trust  
Office of the Guarantee Trustee customarily performing functions  
similar to those performed by any of the above designated  
officers and also means, with respect to a particular corporate  
trust matter, any other officer to whom such matter is referred  
because of that officer's knowledge of and familiarity with the  
particular subject.

"Successor Guarantee Trustee" means a successor  
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Guarantee Trustee possessing the qualifications to act as Guarantee  
Trustee under Section 4.1.

"Trust Indenture Act" means the Trust Indenture Act of  
-----  
1939, as amended.

"Trust Securities" means the Common Securities and the  
-----  
Securities.

## ARTICLE II TRUST INDENTURE ACT

### SECTION 2.1 Trust Indenture Act; Application -----

(a) This Securities Guarantee is subject to the  
provisions of the Trust Indenture Act that are required to be  
part of this Securities Guarantee and shall, to the extent  
applicable, be governed by such provisions; and

(b) if and to the extent that any provision of this  
Securities Guarantee limits, qualifies or conflicts with the  
duties imposed by Section 310 to 317, inclusive, of the Trust  
Indenture Act, such imposed duties shall control.

### SECTION 2.2 Lists of Holders of Securities -----

(a) The Guarantor shall provide the Guarantee Trustee  
with a list, in such form as the Guarantee Trustee may reasonably  
require, of the names and addresses of the Holders of the  
Securities ("List of Holders") as of such date, (i) within 1  
Business Day after January 1 and June 30 of each year, and (ii)

at any other time, within 30 days of receipt by the Guarantor of a written request for a List of Holders as of a date no more than 14 days before such List of Holders is given to the Guarantee Trustee; provided, however, that the Guarantor shall not be obligated to provide such List of Holders at any time the List of Holders does not differ from the most recent List of Holders given to the Guarantee Trustee by the Guarantor. The Guarantee Trustee may destroy any List of Holders previously given to it on receipt of a new List of Holders.

(b) The Guarantee Trustee shall comply with its obligations under Sections 311(a), 311(b) and Section 312(b) of the Trust Indenture Act.

SECTION 2.3      Reports by the Guarantee Trustee  
-----

Within 60 days after May 15 of each year, the Guarantee Trustee shall provide to the Holders of the Securities such reports as are required by Section 313 of the Trust Indenture Act, if any, in the form and in the manner provided by Section 313 of the Trust Indenture Act. The Guarantee Trustee shall also comply with the requirements of Section 313(d) of the Trust Indenture Act.

SECTION 2.4      Periodic Reports to Guarantee Trustee  
-----

The Guarantor shall provide to the Guarantee Trustee such documents, reports and information as required by Section 314 (if any) and the compliance certificate required by Section 314 of the Trust Indenture Act in the form, in the manner and at the times required by Section 314 of the Trust Indenture Act.

SECTION 2.5      Evidence of Compliance with Conditions Precedent  
-----

The Guarantor shall provide to the Guarantee Trustee such evidence of compliance with any conditions precedent, if any, provided for in this Securities Guarantee that relate to any of the matters set forth in Section 314(c) of the Trust Indenture Act. Any certificate or opinion required to be given by an officer pursuant to Section 314(c)(1) may be given in the form of an Officer's Certificate.

SECTION 2.6      Events of Default; Waiver  
-----

The Holders of a Majority in liquidation amount of Securities may, by vote, on behalf of the Holders of all of the Securities, waive any past Event of Default and its consequences. Upon such waiver, any such Event of Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Securities Guarantee, but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

SECTION 2.7      Event of Default; Notice  
-----

(a) The Guarantee Trustee shall, within 90 days after the occurrence of an Event of Default, transmit by mail, first class postage prepaid, to the Holders of the Securities, notices of all Events of Default actually known to a Responsible Officer

of the Guarantee Trustee, unless such defaults have been cured before the giving of such notice; provided, however, that the Guarantee Trustee shall be protected in withholding such notice if and so long as a Responsible Officer of the Guarantee Trustee in good faith determines that the withholding of such notice is in the interests of the Holders of the Securities.

(b) The Guarantee Trustee shall not be deemed to have knowledge of any Event of Default unless the Guarantee Trustee shall have received written notice, or a Responsible Officer of the Guarantee Trustee charged with the administration of the Declaration shall have obtained actual knowledge.

SECTION 2.8      Conflicting Interests  
-----

The Declaration shall be deemed to be specifically described in this Securities Guarantee for the purposes of clause (i) of the first proviso contained in Section 310(b) of the Trust Indenture Act.

ARTICLE III  
POWERS, DUTIES AND RIGHTS OF  
GUARANTEE TRUSTEE

SECTION 3.1      Powers and Duties of the Guarantee Trustee  
-----

(a) This Securities Guarantee shall be held by the Guarantee Trustee for the benefit of the Holders of the Securities, and the Guarantee Trustee shall not transfer this Securities Guarantee to any Person except a Holder of Securities exercising his or her rights pursuant to Section 5.4(b) or to a Successor Guarantee Trustee on acceptance by such Successor Guarantee Trustee of its appointment to act as Successor Guarantee Trustee. The right, title and interest of the Guarantee Trustee shall automatically vest in any Successor Guarantee Trustee, and such vesting and cessation of title shall be effective whether or not conveyancing documents have been executed and delivered pursuant to the appointment of such Successor Guarantee Trustee.

(b) If an Event of Default actually known to a Responsible Officer of the Guarantee Trustee has occurred and is continuing, the Guarantee Trustee shall enforce this Securities Guarantee for the benefit of the Holders of the Securities.

(c) Except during the continuance of an Event of Default,

(i) the Guarantee Trustee undertakes to perform only such duties as are specifically set forth in this Securities Guarantee, and no implied covenants shall be read into this Securities Guarantee against the Guarantee Trustee; and

(ii) in the absence of bad faith on its part, the Guarantee Trustee may, with respect to Securities of such series, 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 Guarantee Trustee and conforming to the requirements of this Securities Guarantee; but in the case of any such certificates or opinions which by any provisions hereof are

specifically required to be furnished to the Guarantee Trustee, the Guarantee Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Securities Guarantee.

(d) In case an Event of Default shall have occurred and be continuing, the Guarantee Trustee shall exercise such of the rights and powers vested in it by this Securities Guarantee, and use the same degree of care and skill in its exercise thereof, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

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

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

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

(iii) the Guarantee 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 liquidation amount of the Securities relating to the time, method and place of conducting any proceeding for any remedy available to the Guarantee Trustee, or exercising any trust or power conferred upon the Guarantee Trustee under this Securities Guarantee; and

(iv) no provision of this Securities Guarantee shall require the Guarantee Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if the Guarantee Trustee shall have reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to it under the terms of this Securities Guarantee or indemnity, reasonably satisfactory to the Guarantee Trustee, against such risk or liability is not reasonably assured to it.

(f) The Guarantee Trustee shall be authorized to undertake all actions set forth in Section 317(a) of the Trust Indenture Act.

SECTION 3.2 Certain Rights of Guarantee Trustee  
-----

(a) Subject to the provisions of Section 3.1 and to the applicable provisions of the Trust Indenture Act:

(i) The Guarantee Trustee may conclusively rely, and shall be fully protected in acting or refraining from acting upon, any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed, sent or presented by the proper party or

parties.

(ii) Any request, direction or act of the Guarantor contemplated by this Securities Guarantee shall be sufficiently evidenced by an Officer's Certificate, or as otherwise expressly provided herein.

(iii) Whenever, in the administration of this Securities Guarantee the Guarantee Trustee shall deem it desirable that a matter be proved or established before taking, suffering or omitting any action hereunder, the Guarantee Trustee (unless other evidence is herein specifically prescribed) may, in the absence of bad faith on its part, request and conclusively rely upon an Officer's Certificate.

(iv) The Guarantee Trustee may consult with counsel of its selection, and the written advice or opinion of such counsel with respect to legal matters 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 such advice or opinion; and any such counsel may be counsel to the Guarantor or any of its Affiliates and may include any of its employees.

(v) The Guarantee Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Securities Guarantee at the request or direction of any Holder pursuant to this Securities Guarantee, unless such Holder shall have offered to the Guarantee Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in complying with such request or direction.

(vi) The Guarantee 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, note, other evidence of indebtedness or other paper or document, but the Guarantee Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Guarantee Trustee shall determine to make any such further inquiry or investigation, it shall (subject to applicable legal requirements) be permitted to examine, during usual business hours, the books, records and premises of the Issuer or the Guarantor, personally or by agent or attorney.

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

(viii) The Guarantee Trustee shall have no duty to see to any recording, filing or registration of any instrument (including any financing or continuation statement or any filing under tax or securities laws) or any rerecording, refiling or registration thereof.

(ix) Any action taken by the Guarantee Trustee or its agents hereunder shall bind the Holders of the Securities, and the signature of the Guarantee Trustee or its agents alone shall be sufficient and effective to

perform any such action. No third party shall be required to inquire as to the authority of the Guarantee Trustee to so act or as to its compliance with any of the terms and provisions of this Securities Guarantee, both of which shall be conclusively evidenced by the Guarantee Trustee's or its agent's taking such action.

(b) No provision of this Securities Guarantee shall be deemed to impose any duty or obligation on the Guarantee Trustee to perform any act or acts or exercise any right, power, duty or obligation conferred or imposed on it in any jurisdiction in which it shall be illegal, or in which the Guarantee Trustee shall be unqualified or incompetent in accordance with applicable law, to perform any such act or acts or to exercise any such right, power, duty or obligation. No permissive or discretionary power or authority available to the Guarantee Trustee shall be construed to be a duty or obligation.

SECTION 3.3      Not Responsible for Recitals or Issuance of  
-----  
                  Guarantee Securities  
-----

The recitals contained in this Securities Guarantee shall be taken as the statements of the Guarantor, and the Guarantee Trustee does not assume any responsibility for their correctness. The Guarantee Trustee makes no representation as to the validity or sufficiency of this Securities Guarantee.

ARTICLE IV  
GUARANTEE TRUSTEE

SECTION 4.1      Guarantee Trustee; Eligibility  
-----

(a) There shall at all times be a Guarantee Trustee which shall be:

(i) a corporation organized and doing business under the laws of the United States, any State or Territory thereof or the District of Columbia, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000) and subject to supervision or examination by Federal, State, Territorial or District of Columbia authority, or

(ii) if and to the extent permitted by the Commission by rule, regulation or order upon application, a corporation or other Person organized and doing business under the laws of a foreign government, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000) or the Dollar equivalent of the applicable foreign currency and subject to supervision or examination by authority of such foreign government or a political subdivision thereof substantially equivalent to supervision or examination applicable to United States institutional trustees,

and, in either case, qualified and eligible under this Article and the Trust Indenture Act. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of such supervising or examining authority, then for the purposes of this Section, 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.



(b) If at any time the Guarantee Trustee shall cease to be eligible to so act under Section 4.1(a), the Guarantee Trustee shall immediately resign in the manner and with the effect set out in Section 4.2(c).

(c) If the Guarantee Trustee has or shall acquire any "conflicting interest" within the meaning of Section 310(b) of the Trust Indenture Act, the Guarantee Trustee and Guarantor (as if it were the obligor referred to in Section 310(b) of the Trust Indenture Act) shall in all respects comply with the provisions of Section 310(b) of the Trust Indenture Act.

(d) The Guarantee Trustee shall be deemed to be specifically described in this Securities Guarantee for purposes of clause (i) of the first provision contained in Section 310(b) of the Trust Indenture Act.

SECTION 4.2 Appointment, Removal and Resignation of Guarantee  
-----  
Trustee  
-----

(a) Subject to Section 4.2(b), the Guarantee Trustee may be appointed or removed without cause at any time by the Guarantor except during an Event of Default under the Indenture.

(b) The Guarantee Trustee shall not be removed in accordance with Section 4.2(a) until a Successor Guarantee Trustee has been appointed and has accepted such appointment by written instrument executed by such Successor Guarantee Trustee and delivered to the Guarantor.

(c) The Guarantee Trustee appointed to office shall hold office until a Successor Guarantee Trustee shall have been appointed or until his death, removal or resignation. The Guarantee Trustee may resign from office (without need for prior or subsequent accounting) by an instrument in writing signed by the Guarantee Trustee and delivered to the Guarantor, which resignation shall not take effect until a Successor Guarantee Trustee has been appointed and has accepted such appointment by instrument in writing executed by such Successor Guarantee Trustee and delivered to the Guarantor and the resigning Guarantee Trustee.

(d) If no Successor Guarantee Trustee shall have been appointed and accepted appointment as provided in this Section 4.2 within 60 days after delivery of an instrument of removal or resignation, the Guarantee Trustee resigning or being removed, as applicable, may petition any court of competent jurisdiction for appointment of a Successor Guarantee Trustee. Such court may thereupon, after prescribing such notice, if any, as it may deem proper and prescribe, appoint a Successor Guarantee Trustee.

(e) No Guarantee Trustee shall be liable for the acts or omissions to act of any Successor Guarantee Trustee.

(f) Upon termination of this Securities Guarantee or removal or resignation of the Guarantee Trustee pursuant to this Section 4.2, the Guarantor shall pay to the Guarantee Trustee all amounts accrued to the date of such termination, removal or resignation.

ARTICLE V  
GUARANTEE

SECTION 5.1     Guarantee  
-----

The Guarantor irrevocably and unconditionally agrees to pay in full to the Holders the Guarantee Payments (without duplication of amounts theretofore paid by the Issuer), as and when due, regardless of any defense, right of set-off or counterclaim that the Issuer may have or assert. The Guarantor's obligation to make a Guarantee Payment may be satisfied by direct payment of the required amounts by the Guarantor to the Holders or by causing the Issuer to pay such amounts to the Holders.

SECTION 5.2     Waiver of Notice and Demand  
-----

The Guarantor hereby waives notice of acceptance of this Securities Guarantee and of any liability to which it applies or may apply, presentment, demand for payment, any right to require a proceeding first against the Issuer or any other Person before proceeding against the Guarantor, protest, notice of nonpayment, notice of dishonor, notice of redemption and all other notices and demands.

SECTION 5.3     Obligations Not Affected  
-----

The obligations, covenants, agreements and duties of the Guarantor under this Securities Guarantee shall in no way be affected or impaired by reason of the happening from time to time of any of the following:

(a) the release or waiver, by operation of law or otherwise, of the performance or observance by the Issuer of any express or implied agreement, covenant, term or condition relating to the Securities to be performed or observed by the Issuer;

(b) the extension of time for the payment by the Issuer of all or any portion of the Distributions, Redemption Price, Liquidation Distribution or any other sums payable under the terms of the Securities or the extension of time for the performance of any other obligation under, arising out of, or in connection with, the Securities (other than an extension of time for payment of Distributions, Redemption Price, Liquidation Distribution or other sum payable that results from the extension of any interest payment period on the Debentures);

(c) any failure, omission, delay or lack of diligence on the part of the Holders to enforce, assert or exercise any right, privilege, power or remedy conferred on the Holders pursuant to the terms of the Securities, or any action on the part of the Issuer granting indulgence or extension of any kind;

(d) the voluntary or involuntary liquidation, dissolution, sale of any collateral, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of debt of, or other similar proceedings affecting, the Issuer or any of the assets of the Issuer;

(e) any invalidity of, or defect or deficiency in, the Securities;

(f) the settlement or compromise of any obligation guaranteed hereby or hereby incurred; or

(g) any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a guarantor, it being the intent of this Section 5.3 that the obligations of the Guarantor hereunder shall be absolute and unconditional under any and all circumstances.

There shall be no obligation of the Holders to give notice to, or obtain consent of, the Guarantor with respect to the happening of any of the foregoing.

SECTION 5.4 Rights of Holders  
-----

(a) The Holders of a Majority in liquidation amount of the Securities have the right to direct the time, method and place of conducting of any proceeding for any remedy available to the Guarantee Trustee in respect of this Securities Guarantee or exercising any trust or power conferred upon the Guarantee Trustee under this Securities Guarantee.

(b) If the Guarantee Trustee fails to enforce such Securities Guarantee, any Holder of Securities may institute a legal proceeding directly against the Guarantor to enforce the Guarantee Trustee's rights under this Securities Guarantee, without first instituting a legal proceeding against the Issuer, the Guarantee Trustee or any other person or entity. The Guarantor waives any right or remedy to require that any action be brought first against the Issuer or any other person or entity before proceeding directly against the Guarantor.

SECTION 5.5 Guarantee of Payment  
-----

This Securities Guarantee creates a guarantee of payment and not of collection.

SECTION 5.6 Subrogation  
-----

The Guarantor shall be subrogated to all (if any) rights of the Holders of Securities against the Issuer in respect of any amounts paid to such Holders by the Guarantor under this Securities Guarantee; provided, however, that the Guarantor shall not (except to the extent required by mandatory provisions of law) be entitled to enforce or exercise any right that it may acquire by way of subrogation or any indemnity, reimbursement or other agreement, in all cases as a result of payment under this Securities Guarantee, if, at the time of any such payment, any amounts are due and unpaid under this Securities Guarantee. If any amount shall be paid to the Guarantor in violation of the preceding sentence, the Guarantor agrees to hold such amount in trust for the Holders and to pay over such amount to the Holders.

SECTION 5.7 Independent Obligations  
-----

The Guarantor acknowledges that its obligations hereunder are independent of the obligations of the Issuer with respect to the Securities, and that the Guarantor shall be liable as principal and as debtor hereunder to make Guarantee Payments pursuant to the terms of this Securities Guarantee notwithstanding the occurrence of any event referred to in subsections (a) through (g), inclusive, of Section 5.3 hereof.

ARTICLE VI  
SUBORDINATION

SECTION 6.1 Ranking  
-----

This Securities Guarantee will constitute an unsecured obligation of the Guarantor and will rank (i) subordinate and junior in right of payment to all other liabilities of the Guarantor and (ii) pari passu with the Common Securities Guarantee and any other guarantee now or hereafter entered into by the Guarantor with respect to any preferred or capital securities issued by any trust, partnership or other entity which is a financing vehicle of the Guarantor, except that, where an Event of Default (as defined in the Indenture) occurs and is continuing, the rights of holders of the Common Securities to payment in respect of Distributions and payments upon liquidation, redemption and otherwise are subordinated to the rights to payment of Holders of Securities.

SECTION 6.2      Effect of Subordination Provisions; Termination  
-----

Notwithstanding anything contained herein to the contrary, other than as provided in the immediately succeeding sentence, all the provisions of this Securities Guarantee shall be subject to the provisions of this Article Six, so far as the same may be applicable thereto.

Notwithstanding anything contained herein to the contrary, the provisions of Section 6.1(i) shall be of no further effect with respect to all or a portion of all other liabilities of the Guarantor, and this Securities Guarantee shall no longer be subordinated in right of payment to such other liabilities of the Guarantor, to the extent that the Guarantor shall have delivered to the Guarantee Trustee a notice to such effect specifying therein such other liabilities to which this Securities Guarantee shall no longer be subordinated and shall have taken correlative action with respect to the Common Securities Guarantee.

ARTICLE VII  
TERMINATION

SECTION 7.1      Termination  
-----

This Securities Guarantee shall terminate upon (i) full payment of the Redemption Price of all Securities, (ii) upon the distribution of the Debentures to the Holders of all of the Securities or (iii) upon full payment of the amounts payable in accordance with the Declaration upon liquidation of the Issuer. Notwithstanding the foregoing, this Securities Guarantee will continue to be effective or will be reinstated, as the case may be, if at any time any Holder of Securities must restore payment of any sums paid under the Securities or under this Securities Guarantee.

ARTICLE VIII  
INDEMNIFICATION

SECTION 8.1      Exculpation  
-----

(a) No Indemnified Person shall be liable, responsible or accountable in damages or otherwise to the Guarantor or any Covered Person for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Indemnified Person in good faith in accordance with this Securities Guarantee and in a manner that such Indemnified Person reasonably believed to be within the scope of the authority conferred on such Indemnified Person by this Securities Guarantee or by law, except that an Indemnified Person shall be liable for any such loss, damage or claim incurred by reason of such Indemnified Person's negligence or willful misconduct with respect to such acts or omissions.

(b) An Indemnified Person shall be fully protected in relying in good faith upon the records of the Guarantor and upon such information, opinions, reports or statements presented to the Guarantor by any Person as to matters the Indemnified Person reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Guarantor, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, profits, losses, or any other facts pertinent to the existence and amount of assets from which Distributions to Holders of Securities might properly be paid.

SECTION 8.2 Indemnification  
-----

The Guarantor agrees to indemnify each Indemnified Person for, and to hold each Indemnified Person harmless against, any and all loss, liability, damage, claim or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including the costs and expenses (including reasonable legal fees and expenses) of defending itself against, or investigating, any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. The obligation to indemnify as set forth in this Section 8.2 shall survive the termination of this Securities Guarantee.

ARTICLE IX  
MISCELLANEOUS

SECTION 9.1 Assignment  
-----

The Guarantor may assign its obligations under this Securities Guarantee and thereupon be released and discharged from all obligations hereunder upon compliance with the conditions set forth in Section 1005(a)(i)-(iv) of the Indenture.

SECTION 9.2 Successors and Assigns  
-----

All guarantees and agreements contained in this Securities Guarantee shall bind the successors, assigns, receivers, trustees and representatives of the Guarantor and shall inure to the benefit of the Holders of the Securities then outstanding.

SECTION 9.3 Amendments  
-----

Except with respect to any changes that do not adversely affect the rights of Holders (in which case no consent of Holders will be required), this Securities Guarantee may only be amended with the prior approval of the Holders of at least a Majority in liquidation amount (including the stated amount that would be paid on redemption, liquidation or otherwise, plus accrued and unpaid Distributions to the date upon which the voting percentages are determined) of all the outstanding Securities. The provisions of Section 12.2 of the Declaration with respect to meetings of Holders of the Securities apply to the giving of such approval.

SECTION 9.4 Notices  
-----

All notices provided for in this Securities Guarantee shall be in writing, duly signed by the party giving such notice, and shall be delivered, telecopied or mailed by first class mail,

as follows:

(a) If given to the Guarantee Trustee, at the Guarantee Trustee's mailing address set forth below (or such other address as the Guarantee Trustee may give notice of to the Holders of the Securities):

Wilmington Trust Company  
Rodney Square North  
1100 North Market Street  
Wilmington, Delaware 19890  
Attention: Corporate Trust Administration  
Telecopy: (302) 651-1576

(b) If given to the Guarantor, at the Guarantor's mailing address set forth below (or such other address as the Guarantor may give notice of to the Holders of the Securities):

The Washington Water Power Company  
1411 East Mission Avenue  
Spokane, Washington 99202  
Attention: Treasurer  
Telecopy: (509) 482-4879

(c) If given to any Holder of Securities, at the address set forth on the books and records of the Issuer.

All such notices shall be deemed to have been given when received in person, telecopied with receipt confirmed, or mailed by first class mail, postage prepaid except that if a notice or other document is refused delivery or cannot be delivered because of a changed address of which no notice was given, such notice or other document shall be deemed to have been delivered on the date of such refusal or inability to deliver.

SECTION 9.5     Benefit  
-----

This Securities Guarantee is solely for the benefit of the Holders of the Securities and, subject to Section 3.1(a), is not separately transferable from the Securities.

SECTION 9.6     Governing Law  
-----

THIS SECURITIES GUARANTEE SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THEREOF.

SECTION 9.7     Counterparts  
-----

This Securities Guarantee may contain more than one counterpart of the signature page and this Securities Guarantee may be executed by the affixing of the signature of each of the parties hereto to one of such counterpart signature pages. All of such counterpart signature pages shall be read as though one, and they shall have the same force and effect as though all of the signers had signed a single signature page.

THIS SECURITIES GUARANTEE is executed as of the day and year first above written.

THE WASHINGTON WATER POWER  
COMPANY, as Guarantor

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

WILMINGTON TRUST COMPANY,  
  
not in its individual capacity,  
but solely as Guarantee Trustee

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

=====

SECURITIES GUARANTEE AGREEMENT

Washington Water Power Capital II

Dated as of \_\_\_\_\_, 199\_

=====

THE WASHINGTON WATER POWER COMPANY

Reconciliation and Tie between Trust Indenture Act of 1939 and  
Securities Guarantee, dated as of \_\_\_\_\_ 1, 199\_\*

Trust Indenture Act Section	Securities Guarantee Section(s)
-----	-----
Section 310(a)(1) . . . . .	4.1(a)
(a)(2) . . . . .	4.1(a)
(a)(3) . . . . .	Not Applicable
(a)(4) . . . . .	Not Applicable
(b) . . . . .	2.8, 4.1(c), 4.1(d)
(c) . . . . .	Not Applicable
Section 311(a) . . . . .	2.2(b)
(b) . . . . .	2.2(b)
(c) . . . . .	Not Applicable
Section 312(a) . . . . .	2.2(a)
(b) . . . . .	2.2(b)
Section 313 . . . . .	2.3
Section 314(a) . . . . .	2.4
(b) . . . . .	Not Applicable
(c) . . . . .	2.5
(d) . . . . .	Not Applicable
(e) . . . . .	1.1 (Definition of Officer's Certificate)
Section 315(a) . . . . .	3.1(c)
(b) . . . . .	2.7(a)
(c) . . . . .	3.1(d)
(d) . . . . .	3.1(e)
Section 316(a)(1) . . . . .	2.6, 5.4(a)
(b) . . . . .	5.4(b)
(c) . . . . .	Not Applicable
Section 317 . . . . .	3.1(f)
Section 318 . . . . .	2.1

\* This Reconciliation and Tie does not constitute part of the Securities Guarantee and shall not affect the interpretation of any of its terms or provisions.



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SECURITIES GUARANTEE AGREEMENT

This GUARANTEE AGREEMENT (the "Securities Guarantee"), dated as of \_\_\_\_\_, 199\_, is executed and delivered by The Washington Water Power Company, a Washington corporation (the "Guarantor"), and Wilmington Trust Company, a Delaware banking corporation, not in its individual capacity, but solely as trustee (the "Guarantee Trustee"), for the benefit of the Holders (as defined herein) from time to time of the Securities (as defined herein) of Washington Water Power Capital II, a Delaware statutory business trust (the "Issuer").

WHEREAS, pursuant to an Amended and Restated Declaration of Trust (the "Declaration"), dated as of \_\_\_\_\_, 199\_, among the trustees of the Issuer named therein, the Guarantor, as sponsor, and the holders from time to time of undivided beneficial interests in the assets of the Issuer, the Issuer is issuing on the date hereof \_\_\_\_\_ securities, having an aggregate liquidation amount of \$\_\_\_\_\_, designated the \_\_\_\_% \_\_\_\_\_ Securities, Series B (the "Securities");

WHEREAS, as incentive for the Holders to purchase the Securities, the Guarantor desires irrevocably and unconditionally to agree, to the extent set forth in this Securities Guarantee, to pay to the Holders of the Securities the Guarantee Payments (as defined herein); and

WHEREAS, the Guarantor is also executing and delivering a guarantee agreement (the "Common Securities Guarantee") in substantially identical terms to this Securities Guarantee for the benefit of the holders of the Common Securities (as defined herein), except that if an Event of Default (as defined in the Indenture), has occurred and is continuing, the rights of holders of the Common Securities to receive Guarantee Payments (as defined in the Common Securities Guarantee) under the Common Securities Guarantee are subordinated to the rights of Holders of Securities to receive Guarantee Payments under this Securities Guarantee.

NOW, THEREFORE, in consideration of the purchase by each Holder of Securities, which purchase the Guarantor hereby agrees shall benefit the Guarantor, the Guarantor executes and delivers this Securities Guarantee for the benefit of the Holders.

ARTICLE I  
DEFINITIONS AND INTERPRETATION

SECTION 1.1 Definitions and Interpretation  
-----

In this Securities Guarantee, unless the context otherwise requires:

(a) Capitalized terms used in this Securities Guarantee but not defined in the preamble above have the respective meanings assigned to them in this Section 1.1;

(b) terms defined in the Declaration as at the date of

execution of this Securities Guarantee have the same meaning when used in this Securities Guarantee unless otherwise defined in this Securities Guarantee;

- (c) a term defined anywhere in this Securities Guarantee has the same meaning throughout;
- (d) all references to "the Securities Guarantee" or "this Securities Guarantee" are to this Securities Guarantee as modified, supplemented or amended from time to time;
- (e) all references in this Securities Guarantee to Articles and Sections are to Articles and Sections of this Securities Guarantee, unless otherwise specified;
- (f) a term defined in the Trust Indenture Act has the same meaning when used in this Securities Guarantee, unless otherwise defined in this Securities Guarantee or unless the context otherwise requires; and
- (g) a reference to the singular includes the plural and vice versa.

"Affiliate" has the same meaning as given to that term in  
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Rule 405 of the Securities Act of 1933, as amended, or any successor rule thereunder.

"Business Day" means any day other than a day on which  
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banking institutions in the City of New York, New York are authorized or required by any applicable law to close.

"Common Securities" means the securities representing  
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common undivided beneficial interests in the assets of the Issuer.

"Corporate Trust Office" means the office of the  
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Guarantee Trustee at which the corporate trust business of the Guarantor shall, at any particular time, be principally administered, which office at the date of execution of this Agreement is located at Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890.

"Covered Person" means any Holder or beneficial owner of  
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Securities.

"Debentures" means the series of junior subordinated  
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debt securities of the Guarantor designated the \_\_\_\_% Junior Subordinated Deferrable Interest Debentures, Series B, due 20\_\_ held by the Institutional Trustee of the Issuer.

"Event of Default" means a default by the Guarantor on  
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any of its payment or other obligations under this Securities Guarantee.

"Guarantee Payments" means the following payments or

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distributions, without duplication, with respect to the Securities, to the extent not paid or made by the Issuer: (i) any accrued and unpaid Distributions that are required to be paid on such Securities to the extent the Issuer shall have funds available therefor, (ii) the redemption price, including all accrued and unpaid Distributions to the date of redemption (the "Redemption Price") to the extent the Issuer shall have funds available therefor, with respect to any Securities called for redemption by the Issuer, and (iii) upon a voluntary or involuntary dissolution, winding-up or termination of the Issuer (other than in connection with the distribution of Debentures to the Holders in exchange for Securities as provided in the Declaration), the lesser of (a) the aggregate of the liquidation amount and all accrued and unpaid Distributions on the Securities to the date of payment and (b) the amount of assets of the Issuer remaining available for distribution to Holders in liquidation of the Issuer (in either case, the "Liquidation Distribution").

"Holder" means any holder, as registered on the books

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and records of the Issuer of any Securities; provided, however, that in determining whether the holders of the requisite percentage of Securities have given any request, notice, consent or waiver hereunder, "Holder" shall not include the Guarantor or any Affiliate of the Guarantor.

"Indemnified Person" means the Guarantee Trustee, any

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Affiliate of the Guarantee Trustee, or any officers, directors, shareholders, members, partners, employees, representatives, nominees, custodians or agents of the Guarantee Trustee.

"Indenture" means the Indenture dated as of \_\_\_\_\_ 1,

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199\_, between the Guarantor (the "Debenture Issuer") and Wilmington Trust Company, as trustee, as supplemented, pursuant to which certain subordinated debt securities of the Debenture Issuer are to be issued to the Property Trustee of the Issuer.

"Majority in liquidation amount of the Securities"

-----  
means, except as provided by the Trust Indenture Act, a vote by Holder(s) of Securities, voting separately as a class, of more than 50% of the liquidation amount (including the stated amount that would be paid on redemption, liquidation or otherwise, plus accrued and unpaid Distributions to the date upon which the voting percentages are determined) of all Securities.

"Officer's Certificate" means, with respect to any

-----  
Person, a certificate signed by an Authorized Officer of such Person. Any Officer's Certificate delivered with respect to compliance with a condition or covenant provided for in this Securities Guarantee shall include:

(a) a statement that the officer signing the Officer's Certificate has read the covenant or condition and the definition relating thereto;

(b) a brief statement of the nature and scope of the examination or investigation undertaken by the officer in rendering the Officer's Certificate;

(c) a statement that such officer has made such examination or investigation as, in such officer's opinion, is necessary to enable such officer to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of such

officer, such condition or covenant has been complied with.

"Person" means a legal person, including any  
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individual, corporation, estate, partnership, joint venture,  
association, joint stock company, limited liability company,  
trust, unincorporated association, or government or any agency or  
political subdivision thereof, or any other entity of whatever  
nature.

"Guarantee Trustee" means Wilmington Trust Company, a  
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Delaware banking corporation, until a Successor Guarantee Trustee  
has been appointed and has accepted such appointment pursuant to  
the terms of this Securities Guarantee and thereafter means each  
such Successor Guarantee Trustee.

"Responsible Officer" means, with respect to the  
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Guarantee Trustee, any officer within the Corporate Trust Office  
of the Guarantee Trustee, including any vice president, any  
assistant vice president, any assistant secretary, the treasurer,  
any assistant treasurer or other officer of the Corporate Trust  
Office of the Guarantee Trustee customarily performing functions  
similar to those performed by any of the above designated  
officers and also means, with respect to a particular corporate  
trust matter, any other officer to whom such matter is referred  
because of that officer's knowledge of and familiarity with the  
particular subject.

"Successor Guarantee Trustee" means a successor  
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Guarantee Trustee possessing the qualifications to act as Guarantee  
Trustee under Section 4.1.

"Trust Indenture Act" means the Trust Indenture Act of  
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1939, as amended.

"Trust Securities" means the Common Securities and the  
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Securities.

## ARTICLE II TRUST INDENTURE ACT

### SECTION 2.1 Trust Indenture Act; Application -----

(a) This Securities Guarantee is subject to the  
provisions of the Trust Indenture Act that are required to be  
part of this Securities Guarantee and shall, to the extent  
applicable, be governed by such provisions; and

(b) if and to the extent that any provision of this  
Securities Guarantee limits, qualifies or conflicts with the  
duties imposed by Section 310 to 317, inclusive, of the Trust  
Indenture Act, such imposed duties shall control.

### SECTION 2.2 Lists of Holders of Securities -----

(a) The Guarantor shall provide the Guarantee Trustee  
with a list, in such form as the Guarantee Trustee may reasonably  
require, of the names and addresses of the Holders of the  
Securities ("List of Holders") as of such date, (i) within 1  
Business Day after January 1 and June 30 of each year, and (ii)

at any other time, within 30 days of receipt by the Guarantor of a written request for a List of Holders as of a date no more than 14 days before such List of Holders is given to the Guarantee Trustee; provided, however, that the Guarantor shall not be obligated to provide such List of Holders at any time the List of Holders does not differ from the most recent List of Holders given to the Guarantee Trustee by the Guarantor. The Guarantee Trustee may destroy any List of Holders previously given to it on receipt of a new List of Holders.

(b) The Guarantee Trustee shall comply with its obligations under Sections 311(a), 311(b) and Section 312(b) of the Trust Indenture Act.

SECTION 2.3      Reports by the Guarantee Trustee  
-----

Within 60 days after May 15 of each year, the Guarantee Trustee shall provide to the Holders of the Securities such reports as are required by Section 313 of the Trust Indenture Act, if any, in the form and in the manner provided by Section 313 of the Trust Indenture Act. The Guarantee Trustee shall also comply with the requirements of Section 313(d) of the Trust Indenture Act.

SECTION 2.4      Periodic Reports to Guarantee Trustee  
-----

The Guarantor shall provide to the Guarantee Trustee such documents, reports and information as required by Section 314 (if any) and the compliance certificate required by Section 314 of the Trust Indenture Act in the form, in the manner and at the times required by Section 314 of the Trust Indenture Act.

SECTION 2.5      Evidence of Compliance with Conditions Precedent  
-----

The Guarantor shall provide to the Guarantee Trustee such evidence of compliance with any conditions precedent, if any, provided for in this Securities Guarantee that relate to any of the matters set forth in Section 314(c) of the Trust Indenture Act. Any certificate or opinion required to be given by an officer pursuant to Section 314(c)(1) may be given in the form of an Officer's Certificate.

SECTION 2.6      Events of Default; Waiver  
-----

The Holders of a Majority in liquidation amount of Securities may, by vote, on behalf of the Holders of all of the Securities, waive any past Event of Default and its consequences. Upon such waiver, any such Event of Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Securities Guarantee, but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

SECTION 2.7      Event of Default; Notice  
-----

(a) The Guarantee Trustee shall, within 90 days after the occurrence of an Event of Default, transmit by mail, first class postage prepaid, to the Holders of the Securities, notices of all Events of Default actually known to a Responsible Officer

of the Guarantee Trustee, unless such defaults have been cured before the giving of such notice; provided, however, that the Guarantee Trustee shall be protected in withholding such notice if and so long as a Responsible Officer of the Guarantee Trustee in good faith determines that the withholding of such notice is in the interests of the Holders of the Securities.

(b) The Guarantee Trustee shall not be deemed to have knowledge of any Event of Default unless the Guarantee Trustee shall have received written notice, or a Responsible Officer of the Guarantee Trustee charged with the administration of the Declaration shall have obtained actual knowledge.

SECTION 2.8     Conflicting Interests  
-----

The Declaration shall be deemed to be specifically described in this Securities Guarantee for the purposes of clause (i) of the first proviso contained in Section 310(b) of the Trust Indenture Act.

ARTICLE III  
POWERS, DUTIES AND RIGHTS OF  
GUARANTEE TRUSTEE

SECTION 3.1     Powers and Duties of the Guarantee Trustee  
-----

(a) This Securities Guarantee shall be held by the Guarantee Trustee for the benefit of the Holders of the Securities, and the Guarantee Trustee shall not transfer this Securities Guarantee to any Person except a Holder of Securities exercising his or her rights pursuant to Section 5.4(b) or to a Successor Guarantee Trustee on acceptance by such Successor Guarantee Trustee of its appointment to act as Successor Guarantee Trustee. The right, title and interest of the Guarantee Trustee shall automatically vest in any Successor Guarantee Trustee, and such vesting and cessation of title shall be effective whether or not conveyancing documents have been executed and delivered pursuant to the appointment of such Successor Guarantee Trustee.

(b) If an Event of Default actually known to a Responsible Officer of the Guarantee Trustee has occurred and is continuing, the Guarantee Trustee shall enforce this Securities Guarantee for the benefit of the Holders of the Securities.

(c) Except during the continuance of an Event of Default,

(i) the Guarantee Trustee undertakes to perform only such duties as are specifically set forth in this Securities Guarantee, and no implied covenants shall be read into this Securities Guarantee against the Guarantee Trustee; and

(ii) in the absence of bad faith on its part, the Guarantee Trustee may, with respect to Securities of such series, 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 Guarantee Trustee and conforming to the requirements of this Securities Guarantee; but in the case of any such certificates or opinions which by any provisions hereof are



specifically required to be furnished to the Guarantee Trustee, the Guarantee Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Securities Guarantee.

(d) In case an Event of Default shall have occurred and be continuing, the Guarantee Trustee shall exercise such of the rights and powers vested in it by this Securities Guarantee, and use the same degree of care and skill in its exercise thereof, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

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

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

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

(iii) the Guarantee 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 liquidation amount of the Securities relating to the time, method and place of conducting any proceeding for any remedy available to the Guarantee Trustee, or exercising any trust or power conferred upon the Guarantee Trustee under this Securities Guarantee; and

(iv) no provision of this Securities Guarantee shall require the Guarantee Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if the Guarantee Trustee shall have reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to it under the terms of this Securities Guarantee or indemnity, reasonably satisfactory to the Guarantee Trustee, against such risk or liability is not reasonably assured to it.

(f) The Guarantee Trustee shall be authorized to undertake all actions set forth in Section 317(a) of the Trust Indenture Act.

SECTION 3.2 Certain Rights of Guarantee Trustee  
-----

(a) Subject to the provisions of Section 3.1 and to the applicable provisions of the Trust Indenture Act:

(i) The Guarantee Trustee may conclusively rely, and shall be fully protected in acting or refraining from acting upon, any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed, sent or presented by the proper party or

parties.

(ii) Any request, direction or act of the Guarantor contemplated by this Securities Guarantee shall be sufficiently evidenced by an Officer's Certificate, or as otherwise expressly provided herein.

(iii) Whenever, in the administration of this Securities Guarantee the Guarantee Trustee shall deem it desirable that a matter be proved or established before taking, suffering or omitting any action hereunder, the Guarantee Trustee (unless other evidence is herein specifically prescribed) may, in the absence of bad faith on its part, request and conclusively rely upon an Officer's Certificate.

(iv) The Guarantee Trustee may consult with counsel of its selection, and the written advice or opinion of such counsel with respect to legal matters 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 such advice or opinion; and any such counsel may be counsel to the Guarantor or any of its Affiliates and may include any of its employees.

(v) The Guarantee Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Securities Guarantee at the request or direction of any Holder pursuant to this Securities Guarantee, unless such Holder shall have offered to the Guarantee Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in complying with such request or direction.

(vi) The Guarantee 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, note, other evidence of indebtedness or other paper or document, but the Guarantee Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Guarantee Trustee shall determine to make any such further inquiry or investigation, it shall (subject to applicable legal requirements) be permitted to examine, during usual business hours, the books, records and premises of the Issuer or the Guarantor, personally or by agent or attorney.

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

(viii) The Guarantee Trustee shall have no duty to see to any recording, filing or registration of any instrument (including any financing or continuation statement or any filing under tax or securities laws) or any rerecording, refiling or registration thereof.

(ix) Any action taken by the Guarantee Trustee or its agents hereunder shall bind the Holders of the Securities, and the signature of the Guarantee Trustee or its agents alone shall be sufficient and effective to

perform any such action. No third party shall be required to inquire as to the authority of the Guarantee Trustee to so act or as to its compliance with any of the terms and provisions of this Securities Guarantee, both of which shall be conclusively evidenced by the Guarantee Trustee's or its agent's taking such action.

(b) No provision of this Securities Guarantee shall be deemed to impose any duty or obligation on the Guarantee Trustee to perform any act or acts or exercise any right, power, duty or obligation conferred or imposed on it in any jurisdiction in which it shall be illegal, or in which the Guarantee Trustee shall be unqualified or incompetent in accordance with applicable law, to perform any such act or acts or to exercise any such right, power, duty or obligation. No permissive or discretionary power or authority available to the Guarantee Trustee shall be construed to be a duty or obligation.

SECTION 3.3      Not Responsible for Recitals or Issuance of  
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                  Guarantee Securities  
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The recitals contained in this Securities Guarantee shall be taken as the statements of the Guarantor, and the Guarantee Trustee does not assume any responsibility for their correctness. The Guarantee Trustee makes no representation as to the validity or sufficiency of this Securities Guarantee.

ARTICLE IV  
GUARANTEE TRUSTEE

SECTION 4.1      Guarantee Trustee; Eligibility  
-----

(a) There shall at all times be a Guarantee Trustee which shall be:

(i) a corporation organized and doing business under the laws of the United States, any State or Territory thereof or the District of Columbia, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000) and subject to supervision or examination by Federal, State, Territorial or District of Columbia authority, or

(ii) if and to the extent permitted by the Commission by rule, regulation or order upon application, a corporation or other Person organized and doing business under the laws of a foreign government, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000) or the Dollar equivalent of the applicable foreign currency and subject to supervision or examination by authority of such foreign government or a political subdivision thereof substantially equivalent to supervision or examination applicable to United States institutional trustees,

and, in either case, qualified and eligible under this Article and the Trust Indenture Act. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of such supervising or examining authority, then for the purposes of this Section, 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.

(b) If at any time the Guarantee Trustee shall cease to be eligible to so act under Section 4.1(a), the Guarantee Trustee shall immediately resign in the manner and with the effect set out in Section 4.2(c).

(c) If the Guarantee Trustee has or shall acquire any "conflicting interest" within the meaning of Section 310(b) of the Trust Indenture Act, the Guarantee Trustee and Guarantor (as if it were the obligor referred to in Section 310(b) of the Trust Indenture Act) shall in all respects comply with the provisions of Section 310(b) of the Trust Indenture Act.

(d) The Guarantee Trustee shall be deemed to be specifically described in this Securities Guarantee for purposes of clause (i) of the first provision contained in Section 310(b) of the Trust Indenture Act.

SECTION 4.2 Appointment, Removal and Resignation of Guarantee  
-----  
Trustee  
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(a) Subject to Section 4.2(b), the Guarantee Trustee may be appointed or removed without cause at any time by the Guarantor except during an Event of Default under the Indenture.

(b) The Guarantee Trustee shall not be removed in accordance with Section 4.2(a) until a Successor Guarantee Trustee has been appointed and has accepted such appointment by written instrument executed by such Successor Guarantee Trustee and delivered to the Guarantor.

(c) The Guarantee Trustee appointed to office shall hold office until a Successor Guarantee Trustee shall have been appointed or until his death, removal or resignation. The Guarantee Trustee may resign from office (without need for prior or subsequent accounting) by an instrument in writing signed by the Guarantee Trustee and delivered to the Guarantor, which resignation shall not take effect until a Successor Guarantee Trustee has been appointed and has accepted such appointment by instrument in writing executed by such Successor Guarantee Trustee and delivered to the Guarantor and the resigning Guarantee Trustee.

(d) If no Successor Guarantee Trustee shall have been appointed and accepted appointment as provided in this Section 4.2 within 60 days after delivery of an instrument of removal or resignation, the Guarantee Trustee resigning or being removed, as applicable, may petition any court of competent jurisdiction for appointment of a Successor Guarantee Trustee. Such court may thereupon, after prescribing such notice, if any, as it may deem proper and prescribe, appoint a Successor Guarantee Trustee.

(e) No Guarantee Trustee shall be liable for the acts or omissions to act of any Successor Guarantee Trustee.

(f) Upon termination of this Securities Guarantee or removal or resignation of the Guarantee Trustee pursuant to this Section 4.2, the Guarantor shall pay to the Guarantee Trustee all amounts accrued to the date of such termination, removal or resignation.

ARTICLE V  
GUARANTEE

SECTION 5.1     Guarantee  
-----

The Guarantor irrevocably and unconditionally agrees to pay in full to the Holders the Guarantee Payments (without duplication of amounts theretofore paid by the Issuer), as and when due, regardless of any defense, right of set-off or counterclaim that the Issuer may have or assert. The Guarantor's obligation to make a Guarantee Payment may be satisfied by direct payment of the required amounts by the Guarantor to the Holders or by causing the Issuer to pay such amounts to the Holders.

SECTION 5.2     Waiver of Notice and Demand  
-----

The Guarantor hereby waives notice of acceptance of this Securities Guarantee and of any liability to which it applies or may apply, presentment, demand for payment, any right to require a proceeding first against the Issuer or any other Person before proceeding against the Guarantor, protest, notice of nonpayment, notice of dishonor, notice of redemption and all other notices and demands.

SECTION 5.3     Obligations Not Affected  
-----

The obligations, covenants, agreements and duties of the Guarantor under this Securities Guarantee shall in no way be affected or impaired by reason of the happening from time to time of any of the following:

(a) the release or waiver, by operation of law or otherwise, of the performance or observance by the Issuer of any express or implied agreement, covenant, term or condition relating to the Securities to be performed or observed by the Issuer;

(b) the extension of time for the payment by the Issuer of all or any portion of the Distributions, Redemption Price, Liquidation Distribution or any other sums payable under the terms of the Securities or the extension of time for the performance of any other obligation under, arising out of, or in connection with, the Securities (other than an extension of time for payment of Distributions, Redemption Price, Liquidation Distribution or other sum payable that results from the extension of any interest payment period on the Debentures);

(c) any failure, omission, delay or lack of diligence on the part of the Holders to enforce, assert or exercise any right, privilege, power or remedy conferred on the Holders pursuant to the terms of the Securities, or any action on the part of the Issuer granting indulgence or extension of any kind;

(d) the voluntary or involuntary liquidation, dissolution, sale of any collateral, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of debt of, or other similar proceedings affecting, the Issuer or any of the assets of the Issuer;

(e) any invalidity of, or defect or deficiency in, the Securities;

(f) the settlement or compromise of any obligation guaranteed hereby or hereby incurred; or

(g) any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a guarantor, it being the intent of this Section 5.3 that the obligations of the Guarantor hereunder shall be absolute and unconditional under any and all circumstances.

There shall be no obligation of the Holders to give notice to, or obtain consent of, the Guarantor with respect to the happening of any of the foregoing.

SECTION 5.4 Rights of Holders  
-----

(a) The Holders of a Majority in liquidation amount of the Securities have the right to direct the time, method and place of conducting of any proceeding for any remedy available to the Guarantee Trustee in respect of this Securities Guarantee or exercising any trust or power conferred upon the Guarantee Trustee under this Securities Guarantee.

(b) If the Guarantee Trustee fails to enforce such Securities Guarantee, any Holder of Securities may institute a legal proceeding directly against the Guarantor to enforce the Guarantee Trustee's rights under this Securities Guarantee, without first instituting a legal proceeding against the Issuer, the Guarantee Trustee or any other person or entity. The Guarantor waives any right or remedy to require that any action be brought first against the Issuer or any other person or entity before proceeding directly against the Guarantor.

SECTION 5.5 Guarantee of Payment  
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This Securities Guarantee creates a guarantee of payment and not of collection.

SECTION 5.6 Subrogation  
-----

The Guarantor shall be subrogated to all (if any) rights of the Holders of Securities against the Issuer in respect of any amounts paid to such Holders by the Guarantor under this Securities Guarantee; provided, however, that the Guarantor shall not (except to the extent required by mandatory provisions of law) be entitled to enforce or exercise any right that it may acquire by way of subrogation or any indemnity, reimbursement or other agreement, in all cases as a result of payment under this Securities Guarantee, if, at the time of any such payment, any amounts are due and unpaid under this Securities Guarantee. If any amount shall be paid to the Guarantor in violation of the preceding sentence, the Guarantor agrees to hold such amount in trust for the Holders and to pay over such amount to the Holders.

SECTION 5.7 Independent Obligations  
-----

The Guarantor acknowledges that its obligations hereunder are independent of the obligations of the Issuer with respect to the Securities, and that the Guarantor shall be liable as principal and as debtor hereunder to make Guarantee Payments pursuant to the terms of this Securities Guarantee notwithstanding the occurrence of any event referred to in subsections (a) through (g), inclusive, of Section 5.3 hereof.

ARTICLE VI  
SUBORDINATION

SECTION 6.1 Ranking  
-----

This Securities Guarantee will constitute an unsecured obligation of the Guarantor and will rank (i) subordinate and junior in right of payment to all other liabilities of the Guarantor and (ii) pari passu with the Common Securities Guarantee and any other guarantee now or hereafter entered into by the Guarantor with respect to any preferred or capital securities issued by any trust, partnership or other entity which is a financing vehicle of the Guarantor, except that, where an Event of Default (as defined in the Indenture) occurs and is continuing, the rights of holders of the Common Securities to payment in respect of Distributions and payments upon liquidation, redemption and otherwise are subordinated to the rights to payment of Holders of Securities.

SECTION 6.2      Effect of Subordination Provisions; Termination  
-----

Notwithstanding anything contained herein to the contrary, other than as provided in the immediately succeeding sentence, all the provisions of this Securities Guarantee shall be subject to the provisions of this Article Six, so far as the same may be applicable thereto.

Notwithstanding anything contained herein to the contrary, the provisions of Section 6.1(i) shall be of no further effect with respect to all or a portion of all other liabilities of the Guarantor, and this Securities Guarantee shall no longer be subordinated in right of payment to such other liabilities of the Guarantor, to the extent that the Guarantor shall have delivered to the Guarantee Trustee a notice to such effect specifying therein such other liabilities to which this Securities Guarantee shall no longer be subordinated and shall have taken correlative action with respect to the Common Securities Guarantee.

ARTICLE VII  
TERMINATION

SECTION 7.1      Termination  
-----

This Securities Guarantee shall terminate upon (i) full payment of the Redemption Price of all Securities, (ii) upon the distribution of the Debentures to the Holders of all of the Securities or (iii) upon full payment of the amounts payable in accordance with the Declaration upon liquidation of the Issuer. Notwithstanding the foregoing, this Securities Guarantee will continue to be effective or will be reinstated, as the case may be, if at any time any Holder of Securities must restore payment of any sums paid under the Securities or under this Securities Guarantee.

ARTICLE VIII  
INDEMNIFICATION

SECTION 8.1      Exculpation  
-----

(a) No Indemnified Person shall be liable, responsible or accountable in damages or otherwise to the Guarantor or any Covered Person for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Indemnified Person in good faith in accordance with this Securities Guarantee and in a manner that such Indemnified Person reasonably believed to be within the scope of the authority conferred on such Indemnified Person by this Securities Guarantee or by law, except that an Indemnified Person shall be liable for any such loss, damage or claim incurred by reason of such Indemnified Person's negligence or willful misconduct with respect to such acts or omissions.

(b) An Indemnified Person shall be fully protected in relying in good faith upon the records of the Guarantor and upon such information, opinions, reports or statements presented to the Guarantor by any Person as to matters the Indemnified Person reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Guarantor, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, profits, losses, or any other facts pertinent to the existence and amount of assets from which Distributions to Holders of Securities might properly be paid.

SECTION 8.2 Indemnification  
-----

The Guarantor agrees to indemnify each Indemnified Person for, and to hold each Indemnified Person harmless against, any and all loss, liability, damage, claim or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including the costs and expenses (including reasonable legal fees and expenses) of defending itself against, or investigating, any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. The obligation to indemnify as set forth in this Section 8.2 shall survive the termination of this Securities Guarantee.

ARTICLE IX  
MISCELLANEOUS

SECTION 9.1 Assignment  
-----

The Guarantor may assign its obligations under this Securities Guarantee and thereupon be released and discharged from all obligations hereunder upon compliance with the conditions set forth in Section 1005(a)(i)-(iv) of the Indenture.

SECTION 9.2 Successors and Assigns  
-----

All guarantees and agreements contained in this Securities Guarantee shall bind the successors, assigns, receivers, trustees and representatives of the Guarantor and shall inure to the benefit of the Holders of the Securities then outstanding.

SECTION 9.3 Amendments  
-----

Except with respect to any changes that do not adversely affect the rights of Holders (in which case no consent of Holders will be required), this Securities Guarantee may only be amended with the prior approval of the Holders of at least a Majority in liquidation amount (including the stated amount that would be paid on redemption, liquidation or otherwise, plus accrued and unpaid Distributions to the date upon which the voting percentages are determined) of all the outstanding Securities. The provisions of Section 12.2 of the Declaration with respect to meetings of Holders of the Securities apply to the giving of such approval.

SECTION 9.4 Notices  
-----

All notices provided for in this Securities Guarantee shall be in writing, duly signed by the party giving such notice, and shall be delivered, telecopied or mailed by first class mail,



as follows:

(a) If given to the Guarantee Trustee, at the Guarantee Trustee's mailing address set forth below (or such other address as the Guarantee Trustee may give notice of to the Holders of the Securities):

Wilmington Trust Company  
Rodney Square North  
1100 North Market Street  
Wilmington, Delaware 19890  
Attention: Corporate Trust Administration  
Telecopy: (302) 651-1576

(b) If given to the Guarantor, at the Guarantor's mailing address set forth below (or such other address as the Guarantor may give notice of to the Holders of the Securities):

The Washington Water Power Company  
1411 East Mission Avenue  
Spokane, Washington 99202  
Attention: Treasurer  
Telecopy: (509) 482-4879

(c) If given to any Holder of Securities, at the address set forth on the books and records of the Issuer.

All such notices shall be deemed to have been given when received in person, telecopied with receipt confirmed, or mailed by first class mail, postage prepaid except that if a notice or other document is refused delivery or cannot be delivered because of a changed address of which no notice was given, such notice or other document shall be deemed to have been delivered on the date of such refusal or inability to deliver.

SECTION 9.5     Benefit  
-----

This Securities Guarantee is solely for the benefit of the Holders of the Securities and, subject to Section 3.1(a), is not separately transferable from the Securities.

SECTION 9.6     Governing Law  
-----

THIS SECURITIES GUARANTEE SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THEREOF.

SECTION 9.7     Counterparts  
-----

This Securities Guarantee may contain more than one counterpart of the signature page and this Securities Guarantee may be executed by the affixing of the signature of each of the parties hereto to one of such counterpart signature pages. All of such counterpart signature pages shall be read as though one, and they shall have the same force and effect as though all of the signers had signed a single signature page.

THIS SECURITIES GUARANTEE is executed as of the day and year first above written.

THE WASHINGTON WATER POWER  
COMPANY, as Guarantor

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

WILMINGTON TRUST COMPANY,  
  
not in its individual capacity,  
but solely as Guarantee Trustee

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

=====

SECURITIES GUARANTEE AGREEMENT

Washington Water Power Capital III

Dated as of \_\_\_\_\_, 199\_

=====

THE WASHINGTON WATER POWER COMPANY

Reconciliation and Tie between Trust Indenture Act of 1939 and  
 Securities Guarantee, dated as of \_\_\_\_\_ 1, 199\_\*

Trust Indenture Act Section	Securities Guarantee Section(s)
-----	-----
Section 310(a)(1) . . . . .	4.1(a)
(a)(2) . . . . .	4.1(a)
(a)(3) . . . . .	Not Applicable
(a)(4) . . . . .	Not Applicable
(b) . . . . .	2.8, 4.1(c), 4.1(d)
(c) . . . . .	Not Applicable
Section 311(a) . . . . .	2.2(b)
(b) . . . . .	2.2(b)
(c) . . . . .	Not Applicable
Section 312(a) . . . . .	2.2(a)
(b) . . . . .	2.2(b)
Section 313 . . . . .	2.3
Section 314(a) . . . . .	2.4
(b) . . . . .	Not Applicable
(c) . . . . .	2.5
(d) . . . . .	Not Applicable
(e) . . . . .	1.1 (Definition of Officer's Certificate)
Section 315(a) . . . . .	3.1(c)
(b) . . . . .	2.7(a)
(c) . . . . .	3.1(d)
(d) . . . . .	3.1(e)
Section 316(a)(1) . . . . .	2.6, 5.4(a)
(b) . . . . .	5.4(b)
(c) . . . . .	Not Applicable
Section 317 . . . . .	3.1(f)
Section 318 . . . . .	2.1

\* This Reconciliation and Tie does not constitute part of the Securities Guarantee and shall not affect the interpretation of any of its terms or provisions.

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SECURITIES GUARANTEE AGREEMENT

This GUARANTEE AGREEMENT (the "Securities Guarantee"), dated as of \_\_\_\_\_, 199\_, is executed and delivered by The Washington Water Power Company, a Washington corporation (the "Guarantor"), and Wilmington Trust Company, a Delaware banking corporation, not in its individual capacity, but solely as trustee (the "Guarantee Trustee"), for the benefit of the Holders (as defined herein) from time to time of the Securities (as defined herein) of Washington Water Power Capital III, a Delaware statutory business trust (the "Issuer").

WHEREAS, pursuant to an Amended and Restated Declaration of Trust (the "Declaration"), dated as of \_\_\_\_\_, 199\_, among the trustees of the Issuer named therein, the Guarantor, as sponsor, and the holders from time to time of undivided beneficial interests in the assets of the Issuer, the Issuer is issuing on the date hereof \_\_\_\_\_ securities, having an aggregate liquidation amount of \$\_\_\_\_\_, designated the \_\_\_\_% \_\_\_\_\_ Securities, Series C (the "Securities");

WHEREAS, as incentive for the Holders to purchase the Securities, the Guarantor desires irrevocably and unconditionally to agree, to the extent set forth in this Securities Guarantee, to pay to the Holders of the Securities the Guarantee Payments (as defined herein); and

WHEREAS, the Guarantor is also executing and delivering a guarantee agreement (the "Common Securities Guarantee") in substantially identical terms to this Securities Guarantee for the benefit of the holders of the Common Securities (as defined herein), except that if an Event of Default (as defined in the Indenture), has occurred and is continuing, the rights of holders of the Common Securities to receive Guarantee Payments (as defined in the Common Securities Guarantee) under the Common Securities Guarantee are subordinated to the rights of Holders of Securities to receive Guarantee Payments under this Securities Guarantee.

NOW, THEREFORE, in consideration of the purchase by each Holder of Securities, which purchase the Guarantor hereby agrees shall benefit the Guarantor, the Guarantor executes and delivers this Securities Guarantee for the benefit of the Holders.

ARTICLE I  
DEFINITIONS AND INTERPRETATION

SECTION 1.1 Definitions and Interpretation  
-----

In this Securities Guarantee, unless the context otherwise requires:

(a) Capitalized terms used in this Securities Guarantee but not defined in the preamble above have the respective meanings assigned to them in this Section 1.1;

(b) terms defined in the Declaration as at the date of

execution of this Securities Guarantee have the same meaning when used in this Securities Guarantee unless otherwise defined in this Securities Guarantee;

- (c) a term defined anywhere in this Securities Guarantee has the same meaning throughout;
- (d) all references to "the Securities Guarantee" or "this Securities Guarantee" are to this Securities Guarantee as modified, supplemented or amended from time to time;
- (e) all references in this Securities Guarantee to Articles and Sections are to Articles and Sections of this Securities Guarantee, unless otherwise specified;
- (f) a term defined in the Trust Indenture Act has the same meaning when used in this Securities Guarantee, unless otherwise defined in this Securities Guarantee or unless the context otherwise requires; and
- (g) a reference to the singular includes the plural and vice versa.

"Affiliate" has the same meaning as given to that term in  
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Rule 405 of the Securities Act of 1933, as amended, or any successor rule thereunder.

"Business Day" means any day other than a day on which  
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banking institutions in the City of New York, New York are authorized or required by any applicable law to close.

"Common Securities" means the securities representing  
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common undivided beneficial interests in the assets of the Issuer.

"Corporate Trust Office" means the office of the  
-----  
Guarantee Trustee at which the corporate trust business of the Guarantor shall, at any particular time, be principally administered, which office at the date of execution of this Agreement is located at Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890.

"Covered Person" means any Holder or beneficial owner of  
-----  
Securities.

"Debentures" means the series of junior subordinated  
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debt securities of the Guarantor designated the \_\_\_% Junior Subordinated Deferrable Interest Debentures, Series C, due 20\_\_ held by the Institutional Trustee of the Issuer.

"Event of Default" means a default by the Guarantor on  
-----  
any of its payment or other obligations under this Securities Guarantee.

"Guarantee Payments" means the following payments or

-----  
distributions, without duplication, with respect to the Securities, to the extent not paid or made by the Issuer: (i) any accrued and unpaid Distributions that are required to be paid on such Securities to the extent the Issuer shall have funds available therefor, (ii) the redemption price, including all accrued and unpaid Distributions to the date of redemption (the "Redemption Price") to the extent the Issuer shall have funds available therefor, with respect to any Securities called for redemption by the Issuer, and (iii) upon a voluntary or involuntary dissolution, winding-up or termination of the Issuer (other than in connection with the distribution of Debentures to the Holders in exchange for Securities as provided in the Declaration), the lesser of (a) the aggregate of the liquidation amount and all accrued and unpaid Distributions on the Securities to the date of payment and (b) the amount of assets of the Issuer remaining available for distribution to Holders in liquidation of the Issuer (in either case, the "Liquidation Distribution").

"Holder" means any holder, as registered on the books

-----  
and records of the Issuer of any Securities; provided, however, that in determining whether the holders of the requisite percentage of Securities have given any request, notice, consent or waiver hereunder, "Holder" shall not include the Guarantor or any Affiliate of the Guarantor.

"Indemnified Person" means the Guarantee Trustee, any

-----  
Affiliate of the Guarantee Trustee, or any officers, directors, shareholders, members, partners, employees, representatives, nominees, custodians or agents of the Guarantee Trustee.

"Indenture" means the Indenture dated as of \_\_\_\_\_ 1,

-----  
199\_, between the Guarantor (the "Debenture Issuer") and Wilmington Trust Company, as trustee, as supplemented, pursuant to which certain subordinated debt securities of the Debenture Issuer are to be issued to the Property Trustee of the Issuer.

"Majority in liquidation amount of the Securities"

-----  
means, except as provided by the Trust Indenture Act, a vote by Holder(s) of Securities, voting separately as a class, of more than 50% of the liquidation amount (including the stated amount that would be paid on redemption, liquidation or otherwise, plus accrued and unpaid Distributions to the date upon which the voting percentages are determined) of all Securities.

"Officer's Certificate" means, with respect to any

-----  
Person, a certificate signed by an Authorized Officer of such Person. Any Officer's Certificate delivered with respect to compliance with a condition or covenant provided for in this Securities Guarantee shall include:

(a) a statement that the officer signing the Officer's Certificate has read the covenant or condition and the definition relating thereto;

(b) a brief statement of the nature and scope of the examination or investigation undertaken by the officer in rendering the Officer's Certificate;

(c) a statement that such officer has made such examination or investigation as, in such officer's opinion, is necessary to enable such officer to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of such



officer, such condition or covenant has been complied with.

"Person" means a legal person, including any  
-----  
individual, corporation, estate, partnership, joint venture,  
association, joint stock company, limited liability company,  
trust, unincorporated association, or government or any agency or  
political subdivision thereof, or any other entity of whatever  
nature.

"Guarantee Trustee" means Wilmington Trust Company, a  
-----  
Delaware banking corporation, until a Successor Guarantee Trustee  
has been appointed and has accepted such appointment pursuant to  
the terms of this Securities Guarantee and thereafter means each  
such Successor Guarantee Trustee.

"Responsible Officer" means, with respect to the  
-----  
Guarantee Trustee, any officer within the Corporate Trust Office  
of the Guarantee Trustee, including any vice president, any  
assistant vice president, any assistant secretary, the treasurer,  
any assistant treasurer or other officer of the Corporate Trust  
Office of the Guarantee Trustee customarily performing functions  
similar to those performed by any of the above designated  
officers and also means, with respect to a particular corporate  
trust matter, any other officer to whom such matter is referred  
because of that officer's knowledge of and familiarity with the  
particular subject.

"Successor Guarantee Trustee" means a successor  
-----  
Guarantee Trustee possessing the qualifications to act as Guarantee  
Trustee under Section 4.1.

"Trust Indenture Act" means the Trust Indenture Act of  
-----  
1939, as amended.

"Trust Securities" means the Common Securities and the  
-----  
Securities.

## ARTICLE II TRUST INDENTURE ACT

### SECTION 2.1 Trust Indenture Act; Application -----

(a) This Securities Guarantee is subject to the  
provisions of the Trust Indenture Act that are required to be  
part of this Securities Guarantee and shall, to the extent  
applicable, be governed by such provisions; and

(b) if and to the extent that any provision of this  
Securities Guarantee limits, qualifies or conflicts with the  
duties imposed by Section 310 to 317, inclusive, of the Trust  
Indenture Act, such imposed duties shall control.

### SECTION 2.2 Lists of Holders of Securities -----

(a) The Guarantor shall provide the Guarantee Trustee  
with a list, in such form as the Guarantee Trustee may reasonably  
require, of the names and addresses of the Holders of the  
Securities ("List of Holders") as of such date, (i) within 1  
Business Day after January 1 and June 30 of each year, and (ii)

at any other time, within 30 days of receipt by the Guarantor of a written request for a List of Holders as of a date no more than 14 days before such List of Holders is given to the Guarantee Trustee; provided, however, that the Guarantor shall not be obligated to provide such List of Holders at any time the List of Holders does not differ from the most recent List of Holders given to the Guarantee Trustee by the Guarantor. The Guarantee Trustee may destroy any List of Holders previously given to it on receipt of a new List of Holders.

(b) The Guarantee Trustee shall comply with its obligations under Sections 311(a), 311(b) and Section 312(b) of the Trust Indenture Act.

SECTION 2.3      Reports by the Guarantee Trustee  
-----

Within 60 days after May 15 of each year, the Guarantee Trustee shall provide to the Holders of the Securities such reports as are required by Section 313 of the Trust Indenture Act, if any, in the form and in the manner provided by Section 313 of the Trust Indenture Act. The Guarantee Trustee shall also comply with the requirements of Section 313(d) of the Trust Indenture Act.

SECTION 2.4      Periodic Reports to Guarantee Trustee  
-----

The Guarantor shall provide to the Guarantee Trustee such documents, reports and information as required by Section 314 (if any) and the compliance certificate required by Section 314 of the Trust Indenture Act in the form, in the manner and at the times required by Section 314 of the Trust Indenture Act.

SECTION 2.5      Evidence of Compliance with Conditions Precedent  
-----

The Guarantor shall provide to the Guarantee Trustee such evidence of compliance with any conditions precedent, if any, provided for in this Securities Guarantee that relate to any of the matters set forth in Section 314(c) of the Trust Indenture Act. Any certificate or opinion required to be given by an officer pursuant to Section 314(c)(1) may be given in the form of an Officer's Certificate.

SECTION 2.6      Events of Default; Waiver  
-----

The Holders of a Majority in liquidation amount of Securities may, by vote, on behalf of the Holders of all of the Securities, waive any past Event of Default and its consequences. Upon such waiver, any such Event of Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Securities Guarantee, but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

SECTION 2.7      Event of Default; Notice  
-----

(a) The Guarantee Trustee shall, within 90 days after the occurrence of an Event of Default, transmit by mail, first class postage prepaid, to the Holders of the Securities, notices of all Events of Default actually known to a Responsible Officer

of the Guarantee Trustee, unless such defaults have been cured before the giving of such notice; provided, however, that the Guarantee Trustee shall be protected in withholding such notice if and so long as a Responsible Officer of the Guarantee Trustee in good faith determines that the withholding of such notice is in the interests of the Holders of the Securities.

(b) The Guarantee Trustee shall not be deemed to have knowledge of any Event of Default unless the Guarantee Trustee shall have received written notice, or a Responsible Officer of the Guarantee Trustee charged with the administration of the Declaration shall have obtained actual knowledge.

SECTION 2.8      Conflicting Interests  
-----

The Declaration shall be deemed to be specifically described in this Securities Guarantee for the purposes of clause (i) of the first proviso contained in Section 310(b) of the Trust Indenture Act.

ARTICLE III  
POWERS, DUTIES AND RIGHTS OF  
GUARANTEE TRUSTEE

SECTION 3.1      Powers and Duties of the Guarantee Trustee  
-----

(a) This Securities Guarantee shall be held by the Guarantee Trustee for the benefit of the Holders of the Securities, and the Guarantee Trustee shall not transfer this Securities Guarantee to any Person except a Holder of Securities exercising his or her rights pursuant to Section 5.4(b) or to a Successor Guarantee Trustee on acceptance by such Successor Guarantee Trustee of its appointment to act as Successor Guarantee Trustee. The right, title and interest of the Guarantee Trustee shall automatically vest in any Successor Guarantee Trustee, and such vesting and cessation of title shall be effective whether or not conveyancing documents have been executed and delivered pursuant to the appointment of such Successor Guarantee Trustee.

(b) If an Event of Default actually known to a Responsible Officer of the Guarantee Trustee has occurred and is continuing, the Guarantee Trustee shall enforce this Securities Guarantee for the benefit of the Holders of the Securities.

(c) Except during the continuance of an Event of Default,

(i) the Guarantee Trustee undertakes to perform only such duties as are specifically set forth in this Securities Guarantee, and no implied covenants shall be read into this Securities Guarantee against the Guarantee Trustee; and

(ii) in the absence of bad faith on its part, the Guarantee Trustee may, with respect to Securities of such series, 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 Guarantee Trustee and conforming to the requirements of this Securities Guarantee; but in the case of any such certificates or opinions which by any provisions hereof are

specifically required to be furnished to the Guarantee Trustee, the Guarantee Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Securities Guarantee.

(d) In case an Event of Default shall have occurred and be continuing, the Guarantee Trustee shall exercise such of the rights and powers vested in it by this Securities Guarantee, and use the same degree of care and skill in its exercise thereof, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

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

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

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

(iii) the Guarantee 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 liquidation amount of the Securities relating to the time, method and place of conducting any proceeding for any remedy available to the Guarantee Trustee, or exercising any trust or power conferred upon the Guarantee Trustee under this Securities Guarantee; and

(iv) no provision of this Securities Guarantee shall require the Guarantee Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if the Guarantee Trustee shall have reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to it under the terms of this Securities Guarantee or indemnity, reasonably satisfactory to the Guarantee Trustee, against such risk or liability is not reasonably assured to it.

(f) The Guarantee Trustee shall be authorized to undertake all actions set forth in Section 317(a) of the Trust Indenture Act.

### SECTION 3.2 Certain Rights of Guarantee Trustee

-----

(a) Subject to the provisions of Section 3.1 and to the applicable provisions of the Trust Indenture Act:

(i) The Guarantee Trustee may conclusively rely, and shall be fully protected in acting or refraining from acting upon, any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed, sent or presented by the proper party or

parties.

(ii) Any request, direction or act of the Guarantor contemplated by this Securities Guarantee shall be sufficiently evidenced by an Officer's Certificate, or as otherwise expressly provided herein.

(iii) Whenever, in the administration of this Securities Guarantee the Guarantee Trustee shall deem it desirable that a matter be proved or established before taking, suffering or omitting any action hereunder, the Guarantee Trustee (unless other evidence is herein specifically prescribed) may, in the absence of bad faith on its part, request and conclusively rely upon an Officer's Certificate.

(iv) The Guarantee Trustee may consult with counsel of its selection, and the written advice or opinion of such counsel with respect to legal matters 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 such advice or opinion; and any such counsel may be counsel to the Guarantor or any of its Affiliates and may include any of its employees.

(v) The Guarantee Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Securities Guarantee at the request or direction of any Holder pursuant to this Securities Guarantee, unless such Holder shall have offered to the Guarantee Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in complying with such request or direction.

(vi) The Guarantee 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, note, other evidence of indebtedness or other paper or document, but the Guarantee Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Guarantee Trustee shall determine to make any such further inquiry or investigation, it shall (subject to applicable legal requirements) be permitted to examine, during usual business hours, the books, records and premises of the Issuer or the Guarantor, personally or by agent or attorney.

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

(viii) The Guarantee Trustee shall have no duty to see to any recording, filing or registration of any instrument (including any financing or continuation statement or any filing under tax or securities laws) or any rerecording, refiling or registration thereof.

(ix) Any action taken by the Guarantee Trustee or its agents hereunder shall bind the Holders of the Securities, and the signature of the Guarantee Trustee or its agents alone shall be sufficient and effective to

perform any such action. No third party shall be required to inquire as to the authority of the Guarantee Trustee to so act or as to its compliance with any of the terms and provisions of this Securities Guarantee, both of which shall be conclusively evidenced by the Guarantee Trustee's or its agent's taking such action.

(b) No provision of this Securities Guarantee shall be deemed to impose any duty or obligation on the Guarantee Trustee to perform any act or acts or exercise any right, power, duty or obligation conferred or imposed on it in any jurisdiction in which it shall be illegal, or in which the Guarantee Trustee shall be unqualified or incompetent in accordance with applicable law, to perform any such act or acts or to exercise any such right, power, duty or obligation. No permissive or discretionary power or authority available to the Guarantee Trustee shall be construed to be a duty or obligation.

SECTION 3.3     Not Responsible for Recitals or Issuance of  
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                  Guarantee Securities  
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The recitals contained in this Securities Guarantee shall be taken as the statements of the Guarantor, and the Guarantee Trustee does not assume any responsibility for their correctness. The Guarantee Trustee makes no representation as to the validity or sufficiency of this Securities Guarantee.

ARTICLE IV  
GUARANTEE TRUSTEE

SECTION 4.1     Guarantee Trustee; Eligibility  
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(a) There shall at all times be a Guarantee Trustee which shall be:

(i) a corporation organized and doing business under the laws of the United States, any State or Territory thereof or the District of Columbia, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000) and subject to supervision or examination by Federal, State, Territorial or District of Columbia authority, or

(ii) if and to the extent permitted by the Commission by rule, regulation or order upon application, a corporation or other Person organized and doing business under the laws of a foreign government, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000) or the Dollar equivalent of the applicable foreign currency and subject to supervision or examination by authority of such foreign government or a political subdivision thereof substantially equivalent to supervision or examination applicable to United States institutional trustees,

and, in either case, qualified and eligible under this Article and the Trust Indenture Act. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of such supervising or examining authority, then for the purposes of this Section, 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.

(b) If at any time the Guarantee Trustee shall cease to be eligible to so act under Section 4.1(a), the Guarantee Trustee shall immediately resign in the manner and with the effect set out in Section 4.2(c).

(c) If the Guarantee Trustee has or shall acquire any "conflicting interest" within the meaning of Section 310(b) of the Trust Indenture Act, the Guarantee Trustee and Guarantor (as if it were the obligor referred to in Section 310(b) of the Trust Indenture Act) shall in all respects comply with the provisions of Section 310(b) of the Trust Indenture Act.

(d) The Guarantee Trustee shall be deemed to be specifically described in this Securities Guarantee for purposes of clause (i) of the first provision contained in Section 310(b) of the Trust Indenture Act.

SECTION 4.2 Appointment, Removal and Resignation of Guarantee  
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Trustee  
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(a) Subject to Section 4.2(b), the Guarantee Trustee may be appointed or removed without cause at any time by the Guarantor except during an Event of Default under the Indenture.

(b) The Guarantee Trustee shall not be removed in accordance with Section 4.2(a) until a Successor Guarantee Trustee has been appointed and has accepted such appointment by written instrument executed by such Successor Guarantee Trustee and delivered to the Guarantor.

(c) The Guarantee Trustee appointed to office shall hold office until a Successor Guarantee Trustee shall have been appointed or until his death, removal or resignation. The Guarantee Trustee may resign from office (without need for prior or subsequent accounting) by an instrument in writing signed by the Guarantee Trustee and delivered to the Guarantor, which resignation shall not take effect until a Successor Guarantee Trustee has been appointed and has accepted such appointment by instrument in writing executed by such Successor Guarantee Trustee and delivered to the Guarantor and the resigning Guarantee Trustee.

(d) If no Successor Guarantee Trustee shall have been appointed and accepted appointment as provided in this Section 4.2 within 60 days after delivery of an instrument of removal or resignation, the Guarantee Trustee resigning or being removed, as applicable, may petition any court of competent jurisdiction for appointment of a Successor Guarantee Trustee. Such court may thereupon, after prescribing such notice, if any, as it may deem proper and prescribe, appoint a Successor Guarantee Trustee.

(e) No Guarantee Trustee shall be liable for the acts or omissions to act of any Successor Guarantee Trustee.

(f) Upon termination of this Securities Guarantee or removal or resignation of the Guarantee Trustee pursuant to this Section 4.2, the Guarantor shall pay to the Guarantee Trustee all amounts accrued to the date of such termination, removal or resignation.

ARTICLE V  
GUARANTEE

SECTION 5.1     Guarantee  
-----

The Guarantor irrevocably and unconditionally agrees to pay in full to the Holders the Guarantee Payments (without duplication of amounts theretofore paid by the Issuer), as and when due, regardless of any defense, right of set-off or counterclaim that the Issuer may have or assert. The Guarantor's obligation to make a Guarantee Payment may be satisfied by direct payment of the required amounts by the Guarantor to the Holders or by causing the Issuer to pay such amounts to the Holders.

SECTION 5.2     Waiver of Notice and Demand  
-----

The Guarantor hereby waives notice of acceptance of this Securities Guarantee and of any liability to which it applies or may apply, presentment, demand for payment, any right to require a proceeding first against the Issuer or any other Person before proceeding against the Guarantor, protest, notice of nonpayment, notice of dishonor, notice of redemption and all other notices and demands.

SECTION 5.3     Obligations Not Affected  
-----

The obligations, covenants, agreements and duties of the Guarantor under this Securities Guarantee shall in no way be affected or impaired by reason of the happening from time to time of any of the following:

(a) the release or waiver, by operation of law or otherwise, of the performance or observance by the Issuer of any express or implied agreement, covenant, term or condition relating to the Securities to be performed or observed by the Issuer;

(b) the extension of time for the payment by the Issuer of all or any portion of the Distributions, Redemption Price, Liquidation Distribution or any other sums payable under the terms of the Securities or the extension of time for the performance of any other obligation under, arising out of, or in connection with, the Securities (other than an extension of time for payment of Distributions, Redemption Price, Liquidation Distribution or other sum payable that results from the extension of any interest payment period on the Debentures);

(c) any failure, omission, delay or lack of diligence on the part of the Holders to enforce, assert or exercise any right, privilege, power or remedy conferred on the Holders pursuant to the terms of the Securities, or any action on the part of the Issuer granting indulgence or extension of any kind;

(d) the voluntary or involuntary liquidation, dissolution, sale of any collateral, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of debt of, or other similar proceedings affecting, the Issuer or any of the assets of the Issuer;

(e) any invalidity of, or defect or deficiency in, the Securities;

(f) the settlement or compromise of any obligation guaranteed hereby or hereby incurred; or



(g) any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a guarantor, it being the intent of this Section 5.3 that the obligations of the Guarantor hereunder shall be absolute and unconditional under any and all circumstances.

There shall be no obligation of the Holders to give notice to, or obtain consent of, the Guarantor with respect to the happening of any of the foregoing.

SECTION 5.4     Rights of Holders  
-----

(a) The Holders of a Majority in liquidation amount of the Securities have the right to direct the time, method and place of conducting of any proceeding for any remedy available to the Guarantee Trustee in respect of this Securities Guarantee or exercising any trust or power conferred upon the Guarantee Trustee under this Securities Guarantee.

(b) If the Guarantee Trustee fails to enforce such Securities Guarantee, any Holder of Securities may institute a legal proceeding directly against the Guarantor to enforce the Guarantee Trustee's rights under this Securities Guarantee, without first instituting a legal proceeding against the Issuer, the Guarantee Trustee or any other person or entity. The Guarantor waives any right or remedy to require that any action be brought first against the Issuer or any other person or entity before proceeding directly against the Guarantor.

SECTION 5.5     Guarantee of Payment  
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This Securities Guarantee creates a guarantee of payment and not of collection.

SECTION 5.6     Subrogation  
-----

The Guarantor shall be subrogated to all (if any) rights of the Holders of Securities against the Issuer in respect of any amounts paid to such Holders by the Guarantor under this Securities Guarantee; provided, however, that the Guarantor shall not (except to the extent required by mandatory provisions of law) be entitled to enforce or exercise any right that it may acquire by way of subrogation or any indemnity, reimbursement or other agreement, in all cases as a result of payment under this Securities Guarantee, if, at the time of any such payment, any amounts are due and unpaid under this Securities Guarantee. If any amount shall be paid to the Guarantor in violation of the preceding sentence, the Guarantor agrees to hold such amount in trust for the Holders and to pay over such amount to the Holders.

SECTION 5.7     Independent Obligations  
-----

The Guarantor acknowledges that its obligations hereunder are independent of the obligations of the Issuer with respect to the Securities, and that the Guarantor shall be liable as principal and as debtor hereunder to make Guarantee Payments pursuant to the terms of this Securities Guarantee notwithstanding the occurrence of any event referred to in subsections (a) through (g), inclusive, of Section 5.3 hereof.

ARTICLE VI  
SUBORDINATION

SECTION 6.1     Ranking  
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This Securities Guarantee will constitute an unsecured obligation of the Guarantor and will rank (i) subordinate and junior in right of payment to all other liabilities of the Guarantor and (ii) pari passu with the Common Securities Guarantee and any other guarantee now or hereafter entered into by the Guarantor with respect to any preferred or capital securities issued by any trust, partnership or other entity which is a financing vehicle of the Guarantor, except that, where an Event of Default (as defined in the Indenture) occurs and is continuing, the rights of holders of the Common Securities to payment in respect of Distributions and payments upon liquidation, redemption and otherwise are subordinated to the rights to payment of Holders of Securities.

SECTION 6.2      Effect of Subordination Provisions; Termination  
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Notwithstanding anything contained herein to the contrary, other than as provided in the immediately succeeding sentence, all the provisions of this Securities Guarantee shall be subject to the provisions of this Article Six, so far as the same may be applicable thereto.

Notwithstanding anything contained herein to the contrary, the provisions of Section 6.1(i) shall be of no further effect with respect to all or a portion of all other liabilities of the Guarantor, and this Securities Guarantee shall no longer be subordinated in right of payment to such other liabilities of the Guarantor, to the extent that the Guarantor shall have delivered to the Guarantee Trustee a notice to such effect specifying therein such other liabilities to which this Securities Guarantee shall no longer be subordinated and shall have taken correlative action with respect to the Common Securities Guarantee.

ARTICLE VII  
TERMINATION

SECTION 7.1      Termination  
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This Securities Guarantee shall terminate upon (i) full payment of the Redemption Price of all Securities, (ii) upon the distribution of the Debentures to the Holders of all of the Securities or (iii) upon full payment of the amounts payable in accordance with the Declaration upon liquidation of the Issuer. Notwithstanding the foregoing, this Securities Guarantee will continue to be effective or will be reinstated, as the case may be, if at any time any Holder of Securities must restore payment of any sums paid under the Securities or under this Securities Guarantee.

ARTICLE VIII  
INDEMNIFICATION

SECTION 8.1      Exculpation  
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(a) No Indemnified Person shall be liable, responsible or accountable in damages or otherwise to the Guarantor or any Covered Person for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Indemnified Person in good faith in accordance with this Securities Guarantee and in a manner that such Indemnified Person reasonably believed to be within the scope of the authority conferred on such Indemnified Person by this Securities Guarantee or by law, except that an Indemnified Person shall be liable for any such loss, damage or claim incurred by reason of such Indemnified Person's negligence or willful misconduct with respect to such acts or omissions.

(b) An Indemnified Person shall be fully protected in relying in good faith upon the records of the Guarantor and upon such information, opinions, reports or statements presented to the Guarantor by any Person as to matters the Indemnified Person reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Guarantor, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, profits, losses, or any other facts pertinent to the existence and amount of assets from which Distributions to Holders of Securities might properly be paid.

SECTION 8.2 Indemnification  
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The Guarantor agrees to indemnify each Indemnified Person for, and to hold each Indemnified Person harmless against, any and all loss, liability, damage, claim or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including the costs and expenses (including reasonable legal fees and expenses) of defending itself against, or investigating, any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. The obligation to indemnify as set forth in this Section 8.2 shall survive the termination of this Securities Guarantee.

ARTICLE IX  
MISCELLANEOUS

SECTION 9.1 Assignment  
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The Guarantor may assign its obligations under this Securities Guarantee and thereupon be released and discharged from all obligations hereunder upon compliance with the conditions set forth in Section 1005(a)(i)-(iv) of the Indenture.

SECTION 9.2 Successors and Assigns  
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All guarantees and agreements contained in this Securities Guarantee shall bind the successors, assigns, receivers, trustees and representatives of the Guarantor and shall inure to the benefit of the Holders of the Securities then outstanding.

SECTION 9.3 Amendments  
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Except with respect to any changes that do not adversely affect the rights of Holders (in which case no consent of Holders will be required), this Securities Guarantee may only be amended with the prior approval of the Holders of at least a Majority in liquidation amount (including the stated amount that would be paid on redemption, liquidation or otherwise, plus accrued and unpaid Distributions to the date upon which the voting percentages are determined) of all the outstanding Securities. The provisions of Section 12.2 of the Declaration with respect to meetings of Holders of the Securities apply to the giving of such approval.

SECTION 9.4 Notices  
-----

All notices provided for in this Securities Guarantee shall be in writing, duly signed by the party giving such notice, and shall be delivered, telecopied or mailed by first class mail,

as follows:

(a) If given to the Guarantee Trustee, at the Guarantee Trustee's mailing address set forth below (or such other address as the Guarantee Trustee may give notice of to the Holders of the Securities):

Wilmington Trust Company  
Rodney Square North  
1100 North Market Street  
Wilmington, Delaware 19890  
Attention: Corporate Trust Administration  
Telecopy: (302) 651-1576

(b) If given to the Guarantor, at the Guarantor's mailing address set forth below (or such other address as the Guarantor may give notice of to the Holders of the Securities):

The Washington Water Power Company  
1411 East Mission Avenue  
Spokane, Washington 99202  
Attention: Treasurer  
Telecopy: (509) 482-4879

(c) If given to any Holder of Securities, at the address set forth on the books and records of the Issuer.

All such notices shall be deemed to have been given when received in person, telecopied with receipt confirmed, or mailed by first class mail, postage prepaid except that if a notice or other document is refused delivery or cannot be delivered because of a changed address of which no notice was given, such notice or other document shall be deemed to have been delivered on the date of such refusal or inability to deliver.

SECTION 9.5     Benefit  
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This Securities Guarantee is solely for the benefit of the Holders of the Securities and, subject to Section 3.1(a), is not separately transferable from the Securities.

SECTION 9.6     Governing Law  
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THIS SECURITIES GUARANTEE SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES THEREOF.

SECTION 9.7     Counterparts  
-----

This Securities Guarantee may contain more than one counterpart of the signature page and this Securities Guarantee may be executed by the affixing of the signature of each of the parties hereto to one of such counterpart signature pages. All of such counterpart signature pages shall be read as though one, and they shall have the same force and effect as though all of the signers had signed a single signature page.

THIS SECURITIES GUARANTEE is executed as of the day and year first above written.

THE WASHINGTON WATER POWER  
COMPANY, as Guarantor

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

WILMINGTON TRUST COMPANY,  
  
not in its individual capacity,  
but solely as Guarantee Trustee

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## AGREEMENT AS TO EXPENSES AND LIABILITIES

AGREEMENT dated as of \_\_\_\_\_, 199\_, between The Washington Water Power Company, a Washington corporation ("Washington Water Power"), and Washington Water Power Capital I, a Delaware business trust (the "Trust").

WHEREAS, the Trust intends to issue its Common Securities (the "Common Securities") to and receive \_\_\_% Junior Subordinated Deferrable Interest Debentures, Series A, due 20\_\_ (the "Subordinated Debt Securities") from Washington Water Power and to issue its \_\_\_% \_\_\_\_\_ Securities, Series A (the "Securities") with such powers, preferences and special rights and restrictions as are set forth in the Amended and Restated Declaration of Trust of the Trust dated as of \_\_\_\_\_, 199\_ as the same may be amended from time to time (the "Declaration");

WHEREAS, Washington Water Power will directly own all of the Common Securities and will issue the Subordinated Debt Securities;

NOW, THEREFORE, in consideration of the purchase by each holder of the Securities, which purchase Washington Water Power hereby agrees shall benefit Washington Water Power and which purchase Washington Water Power acknowledges will be made in reliance upon the execution and delivery of this Agreement, Washington Water Power, including in its capacity as holder of the Common Securities, and the Trust hereby agree as follows:

## ARTICLE I

## Section 1.01. Guarantee by Washington Water Power.

Subject to the terms and conditions hereof, Washington Water Power hereby irrevocably and unconditionally guarantees the full payment, when and as due, of any and all Obligations (as hereinafter defined) to each person or entity to whom the Trust is now or hereafter becomes indebted or liable (the "Beneficiaries"). As used herein, "Obligations" means any indebtedness, expenses or liabilities of the Trust, other than obligations of the Trust to pay to holders of any Securities the amounts due such holders pursuant to the terms of the Securities. This Agreement is intended to be for the benefit of, and to be enforceable by, all such Beneficiaries, whether or not such Beneficiaries have received notice hereof.

## Section 1.02. Term of Agreement. This Agreement shall

terminate and be of no further force and effect upon the date on which there are no Beneficiaries remaining; provided, however, that this Agreement shall continue to be effective or shall be reinstated, as the case may be, if at any time any holder of Securities or any Beneficiary must restore payment of any sums paid under the Securities, under any Obligation, under the Securities Guarantee Agreement dated the date hereof by Washington Water Power and Wilmington Trust Company, as guarantee trustee, or under this Agreement for any reason whatsoever. This Agreement is continuing, irrevocable, unconditional and absolute.

## Section 1.03. Waiver of Notice. Washington Water

Power hereby waives notice of acceptance of this Agreement and of any Obligation to which it applies or may apply, and Washington Water Power hereby waives presentment, demand for payment, protest, notice of nonpayment, notice of dishonor, notice of redemption and all other notices and demands.

## Section 1.04. No Impairment. The obligations,

covenants, agreements and duties of Washington Water Power under

this Agreement shall in no way be affected or impaired by reason of the happening from time to time of any of the following:

(a) the extension of time for the payment by the Trust of all or any portion of the Obligations or for the performance of any other obligation under, arising out of, or in connection with, the Obligations;

(b) any failure, omission, delay or lack of diligence on the part of the Beneficiaries to enforce, assert or exercise any right, privilege, power or remedy conferred on the Beneficiaries with respect to the Obligations or any action on the part of the Trust granting indulgence or extension of any kind; or

(c) the voluntary or involuntary liquidation, dissolution, sale of any collateral, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of debt of, or other similar proceedings affecting, the Trust or any of the assets of the Trust.

There shall be no obligation of the Beneficiaries to give notice to, or obtain the consent of, Washington Water Power with respect to the happening of any of the foregoing.

Section 1.05. Enforcement. A Beneficiary may enforce

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this Agreement directly against Washington Water Power and Washington Water Power waives any right or remedy to require that any action be brought against the Trust or any other person or entity before proceeding against Washington Water Power.

## ARTICLE II

Section 2.01. Binding Effect. All guarantees and

-----  
agreements contained in this Agreement shall bind the successors, assigns, receivers, trustees and representatives of Washington Water Power and shall inure to the benefit of the Beneficiaries.

Section 2.02. Amendment. So long as there remains any

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Beneficiary or any Securities of any series are outstanding, this Agreement shall not be modified or amended in any manner adverse to such Beneficiary or to the holders of the Securities.

Section 2.03. Notices. Any notice, request or other

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communication required or permitted to be given hereunder shall be given in writing by delivering the same against receipt therefor by facsimile transmission (confirmed by mail), telex or by registered or certified mail, addressed as follows (and if so given, shall be deemed given when mailed or upon receipt of an answer-back, if sent by telex), to wit:

Washington Water Power Capital I  
c/o The Washington Water Power Company  
1411 East Mission Avenue  
Spokane, Washington 99202  
Attention: Treasurer  
Facsimile No.: (509) 482-4879

The Washington Water Power Company  
1411 East Mission Avenue  
Spokane, Washington 99202  
Attention: Treasurer  
Facsimile No.: (509) 482-4879

Section 2.04 THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK (WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES).

THIS EXPENSE AGREEMENT is executed as of the day and year first above written.

THE WASHINGTON WATER POWER COMPANY

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

WASHINGTON WATER POWER CAPITAL I

By: \_\_\_\_\_  
not in his/her individual capacity,  
but solely as Regular Trustee



## AGREEMENT AS TO EXPENSES AND LIABILITIES

AGREEMENT dated as of \_\_\_\_\_, 199\_, between The Washington Water Power Company, a Washington corporation ("Washington Water Power"), and Washington Water Power Capital II, a Delaware business trust (the "Trust").

WHEREAS, the Trust intends to issue its Common Securities (the "Common Securities") to and receive \_\_\_% Junior Subordinated Deferrable Interest Debentures, Series B, due 20\_\_ (the "Subordinated Debt Securities") from Washington Water Power and to issue its \_\_\_% \_\_\_\_\_ Securities, Series B (the "Securities") with such powers, preferences and special rights and restrictions as are set forth in the Amended and Restated Declaration of Trust of the Trust dated as of \_\_\_\_\_, 199\_ as the same may be amended from time to time (the "Declaration");

WHEREAS, Washington Water Power will directly own all of the Common Securities and will issue the Subordinated Debt Securities;

NOW, THEREFORE, in consideration of the purchase by each holder of the Securities, which purchase Washington Water Power hereby agrees shall benefit Washington Water Power and which purchase Washington Water Power acknowledges will be made in reliance upon the execution and delivery of this Agreement, Washington Water Power, including in its capacity as holder of the Common Securities, and the Trust hereby agree as follows:

## ARTICLE I

## Section 1.01. Guarantee by Washington Water Power.

Subject to the terms and conditions hereof, Washington Water Power hereby irrevocably and unconditionally guarantees the full payment, when and as due, of any and all Obligations (as hereinafter defined) to each person or entity to whom the Trust is now or hereafter becomes indebted or liable (the "Beneficiaries"). As used herein, "Obligations" means any indebtedness, expenses or liabilities of the Trust, other than obligations of the Trust to pay to holders of any Securities the amounts due such holders pursuant to the terms of the Securities. This Agreement is intended to be for the benefit of, and to be enforceable by, all such Beneficiaries, whether or not such Beneficiaries have received notice hereof.

## Section 1.02. Term of Agreement. This Agreement shall

terminate and be of no further force and effect upon the date on which there are no Beneficiaries remaining; provided, however, that this Agreement shall continue to be effective or shall be reinstated, as the case may be, if at any time any holder of Securities or any Beneficiary must restore payment of any sums paid under the Securities, under any Obligation, under the Securities Guarantee Agreement dated the date hereof by Washington Water Power and Wilmington Trust Company, as guarantee trustee, or under this Agreement for any reason whatsoever. This Agreement is continuing, irrevocable, unconditional and absolute.

## Section 1.03. Waiver of Notice. Washington Water

Power hereby waives notice of acceptance of this Agreement and of any Obligation to which it applies or may apply, and Washington Water Power hereby waives presentment, demand for payment, protest, notice of nonpayment, notice of dishonor, notice of redemption and all other notices and demands.

## Section 1.04. No Impairment. The obligations,

covenants, agreements and duties of Washington Water Power under

this Agreement shall in no way be affected or impaired by reason of the happening from time to time of any of the following:

(a) the extension of time for the payment by the Trust of all or any portion of the Obligations or for the performance of any other obligation under, arising out of, or in connection with, the Obligations;

(b) any failure, omission, delay or lack of diligence on the part of the Beneficiaries to enforce, assert or exercise any right, privilege, power or remedy conferred on the Beneficiaries with respect to the Obligations or any action on the part of the Trust granting indulgence or extension of any kind; or

(c) the voluntary or involuntary liquidation, dissolution, sale of any collateral, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of debt of, or other similar proceedings affecting, the Trust or any of the assets of the Trust.

There shall be no obligation of the Beneficiaries to give notice to, or obtain the consent of, Washington Water Power with respect to the happening of any of the foregoing.

Section 1.05. Enforcement. A Beneficiary may enforce

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this Agreement directly against Washington Water Power and Washington Water Power waives any right or remedy to require that any action be brought against the Trust or any other person or entity before proceeding against Washington Water Power.

## ARTICLE II

Section 2.01. Binding Effect. All guarantees and

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agreements contained in this Agreement shall bind the successors, assigns, receivers, trustees and representatives of Washington Water Power and shall inure to the benefit of the Beneficiaries.

Section 2.02. Amendment. So long as there remains any

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Beneficiary or any Securities of any series are outstanding, this Agreement shall not be modified or amended in any manner adverse to such Beneficiary or to the holders of the Securities.

Section 2.03. Notices. Any notice, request or other

-----  
communication required or permitted to be given hereunder shall be given in writing by delivering the same against receipt therefor by facsimile transmission (confirmed by mail), telex or by registered or certified mail, addressed as follows (and if so given, shall be deemed given when mailed or upon receipt of an answer-back, if sent by telex), to wit:

Washington Water Power Capital II  
c/o The Washington Water Power Company  
1411 East Mission Avenue  
Spokane, Washington 99202  
Attention: Treasurer  
Facsimile No.: (509) 482-4879

The Washington Water Power Company  
1411 East Mission Avenue  
Spokane, Washington 99202  
Attention: Treasurer  
Facsimile No.: (509) 482-4879

Section 2.04 THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK (WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES).

THIS EXPENSE AGREEMENT is executed as of the day and  
year first above  
written.

THE WASHINGTON WATER POWER COMPANY

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

WASHINGTON WATER POWER CAPITAL II

By: \_\_\_\_\_  
not in his/her individual capacity,  
but solely as Regular Trustee

## AGREEMENT AS TO EXPENSES AND LIABILITIES

AGREEMENT dated as of \_\_\_\_\_, 199\_, between The Washington Water Power Company, a Washington corporation ("Washington Water Power"), and Washington Water Power Capital III, a Delaware business trust (the "Trust").

WHEREAS, the Trust intends to issue its Common Securities (the "Common Securities") to and receive \_\_\_% Junior Subordinated Deferrable Interest Debentures, Series C, due 20\_\_ (the "Subordinated Debt Securities") from Washington Water Power and to issue its \_\_\_% \_\_\_\_\_ Securities, Series C (the "Securities") with such powers, preferences and special rights and restrictions as are set forth in the Amended and Restated Declaration of Trust of the Trust dated as of \_\_\_\_\_, 199\_ as the same may be amended from time to time (the "Declaration");

WHEREAS, Washington Water Power will directly own all of the Common Securities and will issue the Subordinated Debt Securities;

NOW, THEREFORE, in consideration of the purchase by each holder of the Securities, which purchase Washington Water Power hereby agrees shall benefit Washington Water Power and which purchase Washington Water Power acknowledges will be made in reliance upon the execution and delivery of this Agreement, Washington Water Power, including in its capacity as holder of the Common Securities, and the Trust hereby agree as follows:

## ARTICLE I

## Section 1.01. Guarantee by Washington Water Power.

Subject to the terms and conditions hereof, Washington Water Power hereby irrevocably and unconditionally guarantees the full payment, when and as due, of any and all Obligations (as hereinafter defined) to each person or entity to whom the Trust is now or hereafter becomes indebted or liable (the "Beneficiaries"). As used herein, "Obligations" means any indebtedness, expenses or liabilities of the Trust, other than obligations of the Trust to pay to holders of any Securities the amounts due such holders pursuant to the terms of the Securities. This Agreement is intended to be for the benefit of, and to be enforceable by, all such Beneficiaries, whether or not such Beneficiaries have received notice hereof.

## Section 1.02. Term of Agreement. This Agreement shall

terminate and be of no further force and effect upon the date on which there are no Beneficiaries remaining; provided, however, that this Agreement shall continue to be effective or shall be reinstated, as the case may be, if at any time any holder of Securities or any Beneficiary must restore payment of any sums paid under the Securities, under any Obligation, under the Securities Guarantee Agreement dated the date hereof by Washington Water Power and Wilmington Trust Company, as guarantee trustee, or under this Agreement for any reason whatsoever. This Agreement is continuing, irrevocable, unconditional and absolute.

## Section 1.03. Waiver of Notice. Washington Water

Power hereby waives notice of acceptance of this Agreement and of any Obligation to which it applies or may apply, and Washington Water Power hereby waives presentment, demand for payment, protest, notice of nonpayment, notice of dishonor, notice of redemption and all other notices and demands.

## Section 1.04. No Impairment. The obligations,

covenants, agreements and duties of Washington Water Power under

this Agreement shall in no way be affected or impaired by reason of the happening from time to time of any of the following:

(a) the extension of time for the payment by the Trust of all or any portion of the Obligations or for the performance of any other obligation under, arising out of, or in connection with, the Obligations;

(b) any failure, omission, delay or lack of diligence on the part of the Beneficiaries to enforce, assert or exercise any right, privilege, power or remedy conferred on the Beneficiaries with respect to the Obligations or any action on the part of the Trust granting indulgence or extension of any kind; or

(c) the voluntary or involuntary liquidation, dissolution, sale of any collateral, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of debt of, or other similar proceedings affecting, the Trust or any of the assets of the Trust.

There shall be no obligation of the Beneficiaries to give notice to, or obtain the consent of, Washington Water Power with respect to the happening of any of the foregoing.

Section 1.05. Enforcement. A Beneficiary may enforce

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this Agreement directly against Washington Water Power and Washington Water Power waives any right or remedy to require that any action be brought against the Trust or any other person or entity before proceeding against Washington Water Power.

## ARTICLE II

Section 2.01. Binding Effect. All guarantees and

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agreements contained in this Agreement shall bind the successors, assigns, receivers, trustees and representatives of Washington Water Power and shall inure to the benefit of the Beneficiaries.

Section 2.02. Amendment. So long as there remains any

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Beneficiary or any Securities of any series are outstanding, this Agreement shall not be modified or amended in any manner adverse to such Beneficiary or to the holders of the Securities.

Section 2.03. Notices. Any notice, request or other

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communication required or permitted to be given hereunder shall be given in writing by delivering the same against receipt therefor by facsimile transmission (confirmed by mail), telex or by registered or certified mail, addressed as follows (and if so given, shall be deemed given when mailed or upon receipt of an answer-back, if sent by telex), to wit:

Washington Water Power Capital III  
c/o The Washington Water Power Company  
1411 East Mission Avenue  
Spokane, Washington 99202  
Attention: Treasurer  
Facsimile No.: (509) 482-4879

The Washington Water Power Company  
1411 East Mission Avenue  
Spokane, Washington 99202  
Attention: Treasurer  
Facsimile No.: (509) 482-4879

Section 2.04 THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK (WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES).

THIS EXPENSE AGREEMENT is executed as of the day and  
year first above  
written.

THE WASHINGTON WATER POWER COMPANY

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

WASHINGTON WATER POWER CAPITAL III

By: \_\_\_\_\_  
not in his/her individual capacity,  
but solely as Regular Trustee