FORM S-3

Registration statement for specified transactions by certain issuers

Filing Date: **1998-07-22**
SEC Accession No. 0001047469-98-028042

FILER

MADISON GAS & ELECTRIC CO

CIK:**61339**| IRS No.: **390444025** | State of Incorp.:**WI** | Fiscal Year End: **1231**
Type: **S-3** | Act: **33** | File No.: **333-59607** | Film No.: **98669843**
SIC: **4931** Electric & other services combined

Mailing Address
POST OFFICE BOX 1231
MADISON WI 53701-1231

Business Address
133 S BLAIR ST
PO BOX 1231
MADISON WI 53701
6082527923

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JULY 22, 1998

REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

MADISON GAS AND ELECTRIC COMPANY
(Exact Name of Registrant as Specified in Its Charter)

<TABLE>
<S> <C>

WISCONSIN	39-0444025
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

</TABLE>

133 SOUTH BLAIR STREET
P.O. BOX 1231, MADISON, WISCONSIN 53701-1231
(608) 252-7000
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

GARY J. WOLTER, ESQ.
SENIOR VICE PRESIDENT--ADMINISTRATION AND SECRETARY
133 SOUTH BLAIR STREET
P.O. BOX 1231, MADISON, WISCONSIN 53701-1231
(608) 252-7292
(Name, address, including zip code, and telephone number, including area code, of agent for service)

COPIES OF ALL COMMUNICATIONS TO:

R. TODD VIEREGG, P.C.
SIDLEY & AUSTIN
ONE FIRST NATIONAL PLAZA, CHICAGO, ILLINOIS 60603

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: From time to time after the Registration Statement becomes effective, as determined by market conditions and other factors.

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

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

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

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

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. / /

CALCULATION OF REGISTRATION FEE

<TABLE>
<CAPTION>

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED (1)	PROPOSED MAXIMUM OFFERING PRICE PER UNIT (2)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (2)	AMOUNT OF REGISTRATION FEE (2)
<S>	<C>	<C>	<C>	<C>
Common Stock ($1 par value).....				
Medium-Term Notes.....				
Total.....	$65,000,000	100%	$65,000,000	$19,175

</TABLE>

(1) There are being registered hereby a presently indeterminate number of shares of Common Stock and a presently indeterminate number of Medium-Term Notes, all with an aggregate initial public offering price not to exceed $65,000,000.

(2) Pursuant to Rule 457(o), the registration fee is calculated on the basis of the proposed aggregate maximum offering price of the Common Stock and the Medium-Term Notes.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

EXPLANATORY NOTE

This Registration Statement contains the following prospectuses:

- a prospectus to be used in the offer and sale of Medium-Term Notes

- a prospectus to be used in the offer and sale of shares of Common Stock pursuant to the Investors Plus Plan

- a prospectus to be used in other offers and sales of shares of Common Stock

The Registrant plans to consummate, from time to time, transactions involving the sale of securities registered pursuant to this Registration Statement, provided that the proceeds from such sales will not exceed $65,000,000 in the aggregate. No decisions have been made as to which securities will be issued or the timing or size of any offering of such securities. Such decisions will be made from time to time based on market conditions and other factors.

SUBJECT TO COMPLETION DATED JULY 22, 1998

INFORMATION CONTAINED HEREIN 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 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.

PROSPECTUS

MADISON GAS AND ELECTRIC COMPANY
MEDIUM-TERM NOTES
DUE FROM NINE MONTHS TO 30 YEARS FROM DATE OF ISSUE

Madison Gas and Electric Company (the "Company") may offer from time to time, at prices and on terms to be determined at or prior to the time of sale, its unsecured Medium-Term Notes (the "Notes"), having an aggregate initial offering price not to exceed $65,000,000, subject to reduction in the event of sales of shares of Common Stock offered by separate prospectuses under the registration statement referred to below of which this Prospectus is a part. Each Note will rank as senior unsecured debt, be registered as to principal and interest and be denominated in United States dollars.

Specific terms of the Notes in respect of which this Prospectus is being delivered will be set forth in an accompanying prospectus supplement (as supplemented by any applicable pricing supplement relating thereto, a "Prospectus Supplement"), together with the terms of the offering of the Notes, the initial offering price and the net proceeds to the Company from the sale thereof. The applicable Prospectus Supplement will set forth, among other matters, the following with respect to the particular Notes: the aggregate principal amount, authorized denominations, maturity date or dates, rate or method of calculation of interest and dates for payment thereof, and any redemption, prepayment or sinking fund provisions.

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 OR ANY PROSPECTUS SUPPLEMENT HERETO. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Company may sell Notes directly to purchasers or through agents designated from time to time by the Company or to or through underwriters or a group of underwriters which may be managed by one or more underwriters. If any agents of the Company or any underwriters are involved in the sale of Notes in respect of which this Prospectus is being delivered, the names of such agents or underwriters and any applicable commission or discount will be set forth in the applicable Prospectus Supplement. The net proceeds to the Company from the sale of Notes will be the public offering price of such Notes less such discount, in the case of an offering through an underwriter, or the purchase price of such Notes less such commission, in the case of an offering through an agent, and less, in each case, other expenses of the Company associated with the issuance and distribution of such Notes.

THE DATE OF THIS PROSPECTUS IS , 1998

AVAILABLE INFORMATION

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 Securities and Exchange Commission (the "Commission"). The Company has filed with the Commission a registration statement on Form S-3 (the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the Notes offered hereby and certain other securities. This Prospectus does not contain all information set forth in the Registration Statement and reference is hereby made to the Registration Statement and the exhibits thereto for further information with respect to the Company and the Notes offered hereby. Such reports, proxy statements, Registration Statement and exhibits and other information can be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at its Northeast Regional Office located at 7 World Trade Center, Suite 1300, New York, New York 10048 and Midwest Regional Office located at Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Copies of such material can be obtained at prescribed rates from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. The Company is subject to the electronic filing requirements of the Commission. Accordingly, pursuant to the rules and regulations of the Commission, certain documents, including annual and quarterly reports and proxy statements, filed by the Company with the Commission have been and will be filed electronically. The Commission maintains a World Wide Web site that contains reports, proxy and information statements and other information regarding registrants (including the Company) that file electronically with the Commission at http://www.sec.gov.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The Annual Report of the Company on Form 10-K, for the year ended December 31, 1997 and the Quarterly Report of the Company on Form 10-Q for the quarter ended March 31, 1998 are incorporated by reference into this Prospectus. All documents filed by the Company pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this Prospectus and prior to the termination of the offering of the Notes contemplated hereby shall be deemed to be incorporated by reference into this Prospectus and to be made a part hereof from the respective dates of filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference in this

Prospectus shall be deemed to be modified or superseded for purposes of the Registration Statement and this Prospectus to the extent that a statement contained in this Prospectus, in the applicable Prospectus Supplement or in any subsequently filed document which also is or is deemed to be incorporated by reference in this Prospectus modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of the Registration Statement or this Prospectus.

The Company will provide without charge to each person, including any beneficial owner, to whom a copy of this Prospectus is delivered, upon written or oral request of such person, a copy of any or all of the documents referred to above which have been incorporated in this Prospectus by reference, other than certain exhibits to such documents. Such requests should be directed to Terry A. Hansen, Vice President-- Finance, Madison Gas and Electric Company, Post Office Box 1231, Madison, Wisconsin 53701-1231 (Telephone: (608) 252-7923).

THE COMPANY

The Company, a Wisconsin corporation organized as such in 1896, is a public utility located in Madison, Wisconsin. It is engaged in generating and transmitting electric energy and distributing it to approximately 117,000 customers throughout 250 square miles in Dane County. The Company also distributes and transports natural gas to approximately 97,000 customers throughout 975 square miles in Dane, Columbia, Iowa, Juneau, Monroe and Vernon counties. The principal executive offices of the Company are located at 133 South Blair Street, Post Office Box 1231, Madison, Wisconsin 53701-1231, and its telephone number is (608) 252-7000.

USE OF PROCEEDS

Except as may be set forth in a Prospectus Supplement, the Company intends to use the net proceeds from the sale of the Notes for its general corporate purposes, including the financing of capital expenditures, the refinancing of indebtedness, and possible business investments and acquisitions. Pending such applications, the net proceeds would be temporarily invested in marketable securities.

RATIOS OF EARNINGS TO FIXED CHARGES

The following table sets forth the unaudited ratios of earnings to fixed charges of the Company for each of the years 1993 through 1997 and for the three months ended March 31, 1998.

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,				
	1993	1994	1995	1996	1997
<S>	<C>	<C>	<C>	<C>	<C>
Ratio of earnings to fixed charges(1).....	4.15x	4.49x	4.23x	2.71x	4.02x

<CAPTION>

	THREE MONTHS ENDED MARCH 31, 1998
<S>	<C>
Ratio of earnings to fixed charges(1).....	5.58x

</TABLE>

---

(1) For the purpose of computing the ratio of earnings to fixed charges, earnings have been calculated by adding to income before interest expense, current and deferred federal and state income taxes, investment tax credits deferred and restored charged (credited) to operations and the estimated interest component of rentals. Fixed charges represent interest expense, amortization of debt discount, premium and expense, and the estimated interest component of rentals.

DESCRIPTION OF NOTES

GENERAL

The Notes offered hereby will be issued under the Indenture dated as of , 1998, as supplemented from time to time (the "Indenture"), between the Company and Bank One, N.A., as trustee (the "Trustee"). The Indenture is subject to and governed by the Trust Indenture Act of 1939, as amended. The summary contained herein of certain provisions of the Notes is subject to and is qualified in its entirety by reference to the provisions of the Indenture and the forms of Notes (including the definitions of certain terms therein), each of which has been filed as an exhibit to the Registration Statement, to which exhibits reference is hereby made. Certain capitalized terms used below but not defined herein have the meanings ascribed to them in the Indenture. Unless otherwise noted, section references below are to the Indenture.

The Notes are the only securities that may be issued under the Indenture. The Indenture does not limit the aggregate amount of Notes that may be issued under the Indenture, but the aggregate initial offering price of the Notes that may be issued under this Prospectus is limited to $65,000,000 subject to reduction in the event of sales of Common Stock under the Registration Statement of which this Prospectus is a part. The Notes will be denominated in United States dollars, and payments of principal of, premium, if any, and any interest on the Notes will be made in United States dollars. Currency amounts in this Prospectus and any Prospectus Supplement are stated in United States dollars. Unless otherwise specified in the applicable Prospectus Supplement, the Notes will have the terms described below.

The general provisions of the Indenture do not contain any provisions that would limit the ability of the Company to incur indebtedness or that would afford holders of Notes ("Holders") protection in the event of a highly leveraged or similar transaction involving the Company. However, the general provisions of the Indenture contain certain restrictions on mortgages and liens. See "Restrictions on Secured Debt" below. Reference is made to the applicable Prospectus Supplement for information with respect to any deletions from, modifications of or additions to the Events of Default or covenants of the Company that are described below, including any additional covenants or other provisions providing event risk or similar protection.

All of the Notes need not be issued at the same time, and may vary as to interest rate, maturity and other provisions. (Section 2.05) The Notes are offered on a continuing basis and will mature on a day from nine months to 30 years from their date of issue, as selected by the initial purchaser and agreed to by the Company, and may be subject to redemption at the option of the Company or repayment at the option of the Holder prior to Stated Maturity (as defined below). See "Redemption and Repayment" below.

Each Note will be represented by either a global security (a "Book-Entry Note") registered in the name of a nominee of the Depositary or a certificate issued in definitive form (a "Certificated Note"), as specified in the applicable Prospectus Supplement. Beneficial interests in Book-Entry Notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants. Owners of beneficial interests in Book-Entry Notes will be entitled to physical delivery of Certificated Notes only under the limited circumstances described herein. See "Book-Entry System" below. Unless otherwise specified in the applicable Prospectus Supplement, Notes will be issued in denominations of $1,000 and integral multiples thereof. (Section 2.04)

Payments of interest and principal (and premium, if any) to Beneficial Owners (as defined below under "Book-Entry System") of Book-Entry Notes are expected to be made in accordance with the procedures of the Depositary and its participants in effect from time to time as described below under "Book-Entry System."

Unless otherwise specified in the applicable Prospectus Supplement, the principal of and any premium and accrued interest on all Notes shall be payable as follows:

(a) On or before 10:00 a.m., New York City time, of the day on which any payment of principal, accrued interest or premium is due on any Book-Entry Note pursuant to the terms thereof, the Company will deliver to the Trustee immediately available funds sufficient to make such payment. On or before 10:30 a.m., New York City time or such other time as shall be agreed upon between the

Trustee and the Depositary, of the day on which such payment is due, the Trustee will deposit with the Depositary such funds by wire transfer into the account specified by the Depositary. As a condition to the payment at the Maturity of any part of the principal and any applicable premium of any Book-Entry Note, the Depositary will surrender, or cause to be surrendered,

such Book-Entry Note to the Trustee, whereupon a new Book-Entry Note will be issued to the Depositary.

(b) With respect to any Note that is not a Book-Entry Note, principal, any premium and accrued interest due at the Maturity of such Note will be payable in immediately available funds when due upon presentation and surrender of such Note at the Corporate Trust Office of the Trustee, currently c/o First Chicago Trust Company of New York, as agent for the Trustee, 14 Wall Street, 8th Floor, Suite 4607, New York, New York 10005, PROVIDED that such Note is presented to the Trustee in time for the Trustee to make such payment in such funds in accordance with its normal procedures. Accrued interest on (and, in the case of Amortizing Notes, as defined below under "Amortizing Notes", installments of principal of) any Note that is not a Book-Entry Note (other than accrued interest or such installments payable at Maturity) will be paid by a clearinghouse funds check mailed on the Interest Payment Date; PROVIDED, HOWEVER, that if any Holder of Notes, the aggregate principal amount of which equals or exceeds $10,000,000, provides a written request to the Trustee on or before the applicable Record Date for such Interest Payment Date, accrued interest (and such installments of principal) shall be paid by wire transfer of immediately available funds to a bank within the continental United States or by direct deposit into the account of such Holder if such account is maintained with the Trustee. (Section 2.11)

Notwithstanding anything in this Prospectus to the contrary, unless otherwise specified in the applicable Prospectus Supplement , if a Note is an Original Issue Discount Note (as defined below under "Original Issue Discount Notes"), the amount payable on such Note in the event the principal amount thereof is declared to be due and payable immediately as described below under "Description of Notes-- Events of Default" or in the event of redemption or repayment thereof prior to its Stated Maturity, in lieu of the principal amount due at the Stated Maturity thereof, will be the Amortized Face Amount of such Note as of the date of declaration, redemption or repayment, as the case may be. The "Amortized Face Amount" of an Original Issue Discount Note will be the amount equal to (i) the principal amount of such Note multiplied by the Issue Price (as defined below) specified in the applicable Prospectus Supplement plus (ii) the portion of the difference between the dollar amount determined pursuant to the preceding clause (i) and the principal amount of such Note that has accreted at the yield to maturity specified in the applicable Prospectus Supplement (computed in accordance with generally accepted United States bond yield computation principles) to such date of declaration, redemption or repayment, but in no event will the Amortized Face Amount of an Original Issue Discount Note exceed the principal amount stated in such Note. (Section 1.03)

Each Note will bear interest at a fixed rate (a "Fixed Rate Note"), which may be zero in the case of a "Zero Coupon Note", or at a variable rate (a "Floating Rate Note") determined by reference to the Commercial Paper Rate, LIBOR, Prime Rate or Treasury Rate or such other interest rate formula (the "Interest Rate Basis") as may be specified in the applicable Prospectus Supplement as adjusted by a Spread and/or Spread Multiplier, if any (as defined herein), applicable to such Notes. The Prospectus Supplement relating to each Note will describe, among other things, the following items: (i) the price (expressed as a percentage of the aggregate principal amount thereof) at which such Note will be issued (the "Issue Price"); (ii) the date on which such Note will be issued (the "Original Issue Date"); (iii) the date on which such Note will mature (the "Stated Maturity") and whether the Stated Maturity may be extended by the Company, and if so, the Extension Periods and the Final Maturity Date (each as defined below under "Extension of Maturity"); (iv) whether such Note is a Fixed Rate Note or a Floating Rate Note; (v) if such Note is a Fixed Rate Note, the rate per annum at which such Note will bear interest, if any, the Interest Payment Date or Dates, if different from those set forth below under "Fixed Rate Notes" and whether such rate may be changed by the Company prior to Stated Maturity; (vi) if such Note is a Floating Rate Note, the Initial Interest Rate, the Interest Rate Basis, the Interest Reset Dates, the Interest

Payment Dates, the Index Maturity, the Spread, if any, the Spread Multiplier, if any (all as defined herein), the maximum interest rate, if any, the minimum interest rate, if any, and any other terms relating to the particular method of calculating the interest rate for such Note, and whether any such Spread and/or Spread Multiplier may be changed by the Company prior to Stated Maturity; (vii) whether such Note is an Original Issue Discount Note, and if so, the yield to maturity; (viii) whether such Note is an Amortizing Note, and if so, the basis or formula for the amortization of principal and/or interest and the payment dates for such periodic principal payments; (ix) the record date or dates for determining the person entitled to receive payments of interest, principal and premium, if any (a "Record Date"), if other than as set forth below; (x) whether such Note may be redeemed at the option of the Company, or repaid at the option

of the Holder, prior to Stated Maturity and, if so, the provisions relating to such redemption or repayment; (xi) any sinking fund or other mandatory redemption provisions with respect to such Note; (xii) whether such Note will be issued initially as a Book-Entry Note or a Certificated Note; and (xiii) any other terms of such Note not inconsistent with the provisions of the Indenture.

Certificated Notes may be presented for payment and for registration of transfer or exchange at the Corporate Trust Office of the Trustee, currently c/o First Chicago Trust Company of New York, as agent for the Trustee, 14 Wall Street, 8th Floor, Suite 4607, New York, New York 10005. (Section 6.02)

All percentages resulting from any calculation with respect to any Notes will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded upward (e.g., 9.876545% (or .09876545) would be rounded to 9.87655% (or .0987655)), and all dollar amounts used in or resulting from such calculation on any Notes will be rounded to the nearest cent with one-half cent being rounded upward. (Section 2.04)

As used herein, "Business Day" means, unless otherwise specified in the applicable Prospectus Supplement, any Monday, Tuesday, Wednesday, Thursday or Friday that in The City of New York is not a day on which banking institutions are authorized or obligated by law, regulation or executive order to close and, with respect to Notes as to which LIBOR (as defined below under "Floating Rate Notes--LIBOR Notes") is the applicable Interest Rate Basis is also a London Business Day. As used herein, "London Business Day" means any day on which dealings in deposits in United States dollars are transacted in the London interbank market. (Section 1.03)

RESTRICTIONS ON SECURED DEBT

The Notes will constitute unsecured and unsubordinated indebtedness of the Company, and will rank on a parity with the Company's other unsecured and unsubordinated indebtedness, but will rank junior to the first mortgage bonds of the Company ("First Mortgage Bonds") which were issued under the Indenture of Mortgage and Deed of Trust, dated as of January 1, 1946, between the Company and First Wisconsin Trust Company (now known as Firstar Trust Company), as trustee, and indentures supplemental thereto ("Bond Indenture").

THE BOND INDENTURE

Security and Priority. The Bond Indenture constitutes a direct first mortgage lien upon substantially all of the fixed property, and upon the permits and licenses, owned by the Company, subject to "permissible encumbrances" (as defined in the Bond Indenture). The Bond Indenture contains provisions subjecting to the lien thereof fixed property, and permits and licenses, which the Company may subsequently acquire, subject, however, to "permissible encumbrances" and to liens existing or placed upon such property at the time of acquisition thereof by the Company.

The Company has covenanted in the Indenture that while any of the Notes are outstanding, it will not (i) issue any additional First Mortgage Bonds, or (ii) subject to the lien of the Bond Indenture any property which is exempt from such lien, unless the Company concurrently issues to the Trustee under the Indenture, a First Mortgage Bond or Bonds in the same aggregate principal amount and having the same interest rate or rates, maturity date or dates, redemption provisions and other terms as the Notes then outstanding and thereby give to the holders of all outstanding Notes the benefit of the security of such First

Mortgage Bond or Bonds. (Section 4.01) At such time as the Trustee under the Indenture is the only holder of First Mortgage Bonds outstanding under the Bond Indenture, the Trustee will surrender such First Mortgage Bonds to the Company for cancellation and the Bond Indenture will be discharged and defeased. (Section 4.07).

In addition, the Company has covenanted in the Indenture that neither the Company nor a Subsidiary will create or assume, except in favor of the Company or a Wholly-Owned Subsidiary (as defined below under "Certain Definitions"), any mortgage, pledge, or other lien or encumbrance upon any Principal Facility (as defined below under "Certain Definitions") or any stock of any Regulated Subsidiary (as defined below under "Certain Definitions") or indebtedness of any Subsidiary to the Company or any other Subsidiary whether now owned or hereafter acquired without equally and ratably securing the outstanding Notes. This limitation will not apply to the lien of the Bond Indenture or certain permitted encumbrances described in the Indenture, including (a) purchase money mortgages entered into within specified time limits; (b) liens extending, renewing or refunding any liens permitted by clause (a) of this covenant; (c) liens existing

on acquired property; (d) certain tax, materialmen's, mechanics' and judgment liens, certain liens arising by operation of law and certain other similar liens; (e) certain mortgages, pledges, liens or encumbrances in favor of any state or local government or governmental agency in connection with certain tax-exempt financings; (f) liens to secure the cost of construction or improvement of any property entered into within specified time limits; and (g) mortgages, pledges, liens and encumbrances not otherwise permitted if the sum of the indebtedness thereby secured does not exceed the greater of $20,000,000 or 10% of Common Shareholders' Equity (as defined below under "Certain Definitions"). (Section 6.06)

INTEREST AND INTEREST RATES

Unless otherwise specified in the applicable Prospectus Supplement , each Note (other than a Zero Coupon Note), will bear interest from and including its Original Issue Date or from and including the most recent Interest Payment Date to which interest on such Note has been paid or duly provided for at a fixed rate per annum or at a rate per annum determined pursuant to an Interest Rate Basis stated therein and in the applicable Prospectus Supplement , that may be adjusted by a Spread and/or Spread Multiplier, until Maturity and the principal thereof is paid or made available for payment. Unless otherwise specified in the applicable Prospectus Supplement, interest will be payable on each Interest Payment Date and at Maturity. "Maturity" means the date on which the principal of a Note or an installment of principal becomes due and payable in accordance with its terms and the terms of the Indenture, whether at Stated Maturity, upon acceleration, redemption, repayment or otherwise. Interest (other than defaulted interest which may be paid to the Holder on a special record date) will be payable to the Holder at the close of business on the Record Date next preceding an Interest Payment Date; provided, however, that the first payment of interest on any Note originally issued between a Record Date and the next Interest Payment Date will be made on the Interest Payment Date following the next succeeding Record Date to the Holder on such next succeeding Record Date and interest payable on the Maturity date, including, if applicable, upon redemption, shall be payable to the person to whom principal is payable.

Interest rates, interest rate formulae and other variable terms of the Notes are subject to change by the Company from time to time, but no such change will affect any Note already issued or as to which an offer to purchase has been accepted by the Company. Unless otherwise specified in the applicable Prospectus Supplement, the Interest Payment Dates and the Record Dates for Fixed Rate Notes will be as described below under "Fixed Rate Notes." The Interest Payment Dates for Floating Rate Notes will be as specified in the applicable Prospectus Supplement, and unless otherwise specified in the applicable Prospectus Supplement, each Record Date for a Floating Rate Note will be the fifteenth day (whether or not a Business Day) preceding each Interest Payment Date.

Each Note (other than a Zero Coupon Note) will bear interest at either (a) a fixed rate or (b) a floating rate determined by reference to an Interest Rate Basis which may be adjusted by a Spread and/or Spread Multiplier; provided that the interest rate in effect for the ten days immediately prior to Stated

Maturity will be the interest rate in effect on the tenth day preceding such Stated Maturity. Any Floating Rate Note may also have either or both of the following: (i) a maximum interest rate, or ceiling, on the rate of interest which may accrue during any interest period, and (ii) a minimum interest rate, or floor, on the rate of interest which may accrue during any interest period. The applicable Prospectus Supplement relating to each Note will designate either a fixed rate of interest per annum on the applicable Fixed Rate Note or one or more of the following Interest Rate Bases as applicable to the relevant Floating Rate Note: (a) the Commercial Paper Rate, in which case such Note will be a "Commercial Paper Rate Note," (b) LIBOR, in which case such Note will be a "LIBOR Note," (c) the Prime Rate, in which case such Note will be a "Prime Rate Note," (d) the Treasury Rate, in which case such Note will be a "Treasury Rate Note," or (e) such other Interest Rate Basis or formula as may be specified in such Prospectus Supplement.

Notwithstanding the determination of the interest rate as provided below, the interest rate on the Notes for any interest period shall not be greater than the maximum interest rate, if any, or less than the minimum interest rate, if any, specified in the applicable Prospectus Supplement. The interest rate on the Notes will in no event be higher than the maximum rate permitted by New York or other applicable law, as the same may be modified by United States federal law of general application. Under present New York law, the maximum rate of interest is 25% per annum on a simple interest basis. This limit may not apply to Notes in which $2,500,000 or more has been invested.

FIXED RATE NOTES

Unless otherwise specified in the applicable Prospectus Supplement, each Fixed Rate Note (other than a Zero Coupon Note) will accrue interest from and including its Original Issue Date at the annual rate stated on the face thereof, as specified in the applicable Prospectus Supplement. Unless otherwise specified in the applicable Prospectus Supplement, payments of interest on any Fixed Rate Note with respect to any Interest Payment Date or Maturity will include interest accrued from and including the Original Issue Date, or from and including the most recent Interest Payment Date to which interest has been paid or duly provided for, to but excluding such Interest Payment Date or Maturity. Fixed Rate Notes may bear one or more annual rates of interest during the periods or under the circumstances specified therein and in the applicable Prospectus Supplement. Unless otherwise specified in the applicable Prospectus Supplement, interest on Fixed Rate Notes will be computed and paid on the basis of a 360-day year of twelve 30-day months.

Unless otherwise specified in the applicable Prospectus Supplement, the Interest Payment Dates for Fixed Rate Notes, including Fixed Rate Amortizing Notes, will be semi-annually on each and and the Record Dates will be each and (whether or not a Business Day) and the Stated Maturity. In the case of Fixed Rate Amortizing Notes, Interest Payment Dates may be quarterly on each , , and if specified in the applicable Prospectus Supplement, and the Record Dates will be each , , and (whether or not a Business Day) next preceding each such Interest Payment Date. If the Interest Payment Date or Maturity for any Fixed Rate Note is not a Business Day, all payments to be made on such day with respect to such Note will be made on the next day that is a Business Day with the same force and effect as if made on the due date, and no additional interest will be payable on the date of payment for the period from and after the due date as a result of such delayed payment.

FLOATING RATE NOTES

The interest rate on each Floating Rate Note will be equal to the interest rate calculated by reference to the specified Interest Rate Basis (i) plus or minus the Spread, if any, and/or (ii) multiplied by the Spread Multiplier, if any. The "Spread" is the number of basis points (one basis point equals one-hundredth of a percentage point) specified in the applicable Prospectus Supplement as being applicable to such Note, and the "Spread Multiplier" is the percentage of the Interest Rate Basis (adjusted for any Spread) specified in the applicable Prospectus Supplement as being applicable to such Note. The applicable Prospectus Supplement will specify the Interest Rate Basis and the Spread and/or Spread Multiplier, if any, and the maximum or minimum interest rate, if any, applicable to each Floating Rate Note. In addition, such Prospectus Supplement will contain particulars as to the Calculation Agent (unless otherwise specified in the applicable Prospectus Supplement, The First National Bank of Chicago (in such capacity, the "Calculation Agent")), Index Maturity, Original Issue Date, the interest rate in effect for the period from the Original Issue Date to the first Interest Reset Date specified in the applicable Prospectus Supplement (the "Initial Interest Rate"), Interest Determination Dates, Interest Payment Dates, Record Dates, and Interest Reset Dates with respect to such Note.

Except as provided below or in the applicable Prospectus Supplement, the Interest Payment Dates for Floating Rate Notes, including Floating Rate Amortizing Notes, will be (i) in the case of Floating Rate Notes that reset daily, weekly or monthly, the third Wednesday of each month or the third Wednesday of March, June, September and December of each year, as specified on the face thereof and in the applicable Prospectus Supplement; (ii) in the case of Floating Rate Notes that reset quarterly, the third Wednesday of March, June, September and December of each year as specified on the face thereof and in the applicable Prospectus Supplement; (iii) in the case of Floating Rate Notes that reset semiannually, the third Wednesday of each of two months of each year, as specified on the face thereof and in the applicable Prospectus Supplement; and (iv) in the case of Floating Rate Notes that reset annually, the third Wednesday of one month of each year, as specified on the face thereof and in the applicable Prospectus Supplement and, in each case, at Maturity. If any Interest Payment Date, other than Maturity, for any Floating Rate Note is not a Business Day for such Floating Rate Note, such Interest Payment Date will be postponed to the next day that is a Business Day for such Floating Rate Note, except that, in the case of a LIBOR Note, if such Business Day for such Floating Rate Note is in the next succeeding calendar month, such Interest Payment Date will be the immediately preceding London Business Day. If the Maturity for any Floating Rate Note falls on a day that is not a Business Day, all payments to be made on such day with respect to such Note will be made on the next day that is a Business Day with the same force and effect as if made on the due date, and no additional interest will be payable on the date of payment for the period from and after

the due date as a result of such delayed payment.

The rate of interest on each Floating Rate Note will be reset daily, weekly, monthly, quarterly, semiannually or annually (such period being the "Interest Reset Period" for such Note, and the first day of each Interest Reset Period being an "Interest Reset Date"), as specified in the applicable Prospectus Supplement. Unless otherwise specified in the applicable Prospectus Supplement, the Interest Reset Date will be, in the case of Floating Rate Notes which reset daily, each Business Day for such Floating Rate Note; in the case of Floating Rate Notes (other than Treasury Rate Notes) which reset weekly, the Wednesday of each week; in the case of Treasury Rate Notes which reset weekly, the Tuesday of each week, except as provided below; in the case of Floating Rate Notes which reset monthly, the third Wednesday of each month; in the case of Floating Rate Notes which reset quarterly, the third Wednesday of each March, June, September and December; in the case of Floating Rate Notes which reset semiannually, the third Wednesday of each of two months of each year, as specified in the applicable Prospectus Supplement; and in the case of Floating Rate Notes which reset annually, the third Wednesday of one month of each year, as specified in the applicable Prospectus Supplement; provided, however, that the interest rate in effect from the Original Issue Date to but excluding the first Interest Reset Date with respect to a Floating Rate Note will be the Initial Interest Rate (as specified in the applicable Prospectus Supplement). If any Interest

Reset Date for any Floating Rate Note is not a Business Day for such Floating Rate Note, such Interest Reset Date will be postponed to the next day that is a Business Day for such Floating Rate Note, except that in the case of a LIBOR Note, if such Business Day is in the next succeeding calendar month, such Interest Reset Date will be the immediately preceding London Business Day. Each adjusted rate will be applicable on and after the Interest Reset Date to which it relates to but excluding the next succeeding Interest Reset Date or until Maturity.

The interest rate for each Interest Reset Period will be the rate determined by the Calculation Agent on the Calculation Date (as defined below) pertaining to the Interest Determination Date pertaining to the Interest Reset Date for such Interest Reset Period. Unless otherwise specified in the applicable Prospectus Supplement, the "Interest Determination Date" pertaining to an Interest Reset Date for (a) a Commercial Paper Rate Note (the "Commercial Paper Interest Determination Date") or (b) a Prime Rate Note (the "Prime Interest Determination Date") will be the second Business Day immediately preceding such Interest Reset Date. Unless otherwise specified in the applicable Prospectus Supplement, the Interest Determination Date pertaining to an Interest Reset Date for a LIBOR Note (the "LIBOR Interest Determination Date") will be the second London Business Day immediately preceding such Interest Reset Date. Unless otherwise specified in the applicable Prospectus Supplement, the Interest Determination Date pertaining to an Interest Reset Date for a Treasury Rate Note (the "Treasury Interest Determination Date") will be the day of the week in which such Interest Reset Date falls on which Treasury bills would normally be auctioned. Treasury bills are usually sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is usually held on the following Tuesday, except that such auction may be held on the preceding Friday. If an auction is so held on the preceding Friday, such Friday will be the Treasury Interest Determination Date pertaining to the Interest Reset Period commencing in the next succeeding week. If an auction date falls on any Interest Reset Date for a Treasury Rate Note, then such Interest Reset Date will instead be the first Business Day immediately following such auction date. Unless otherwise specified in the applicable Prospectus Supplement, the "Calculation Date" pertaining to any Interest Determination Date will be the earlier of (i) the tenth calendar day after the Interest Determination Date or, if such day is not a Business Day, the next day that is a Business Day, or (ii) the Business Day immediately preceding the applicable Interest Payment Date or Maturity, as the case may be.

"Index Maturity" means, with respect to a Floating Rate Note, the period to Stated Maturity of the instrument or obligation on which the interest rate formula of such Floating Rate Note is calculated, as specified in the applicable Prospectus Supplement.

Unless otherwise specified in the applicable Prospectus Supplement, each Floating Rate Note will accrue interest from and including its Original Issue Date at the rate determined as provided in such Note and as specified in the applicable Prospectus Supplement. Unless otherwise specified in the applicable Prospectus Supplement, payments of interest on any Floating Rate Note with respect to any Interest Payment Date will include interest accrued from and including the Original Issue Date, or from and including the most recent Interest Payment Date to which interest has been paid or duly provided for, to but excluding the Interest Payment Date or Maturity. With respect to Floating

Rate Notes, accrued interest is calculated by multiplying the face amount of a Note by an accrued interest factor. This accrued interest factor is computed by adding the interest factors calculated for each day from and including the Original Issue Date, or from and including the last date to which interest has been paid or duly provided for, to but excluding the date for which accrued interest is being calculated. The interest factor for each such day (unless otherwise specified) is computed by dividing the interest rate applicable to such day by 360, in the case of Commercial Paper Rate Notes, LIBOR Notes and Prime Rate Notes or by the actual number of days in the year, in the case of Treasury Rate Notes.

The Calculation Agent will calculate the interest rate on the Floating Rate Notes, as provided below. The Trustee will, upon the request of the Holder of any Floating Rate Note, provide the interest rate then in effect and, if then determined, the interest rate which will become effective as a result of a determination made with respect to the most recent Interest Determination Date (defined below) with respect to

such Note. For purposes of calculating the rate of interest payable on Floating Rate Notes, the Company has entered into or will enter into an agreement with the Calculation Agent. The Calculation Agent's determination of any interest rate shall be final and binding in the absence of manifest error.

COMMERCIAL PAPER RATE NOTES

Each Commercial Paper Rate Note will bear interest at the interest rate (calculated with reference to the Commercial Paper Rate and the Spread and/or Spread Multiplier, if any) specified in the Commercial Paper Rate Note and in the applicable Prospectus Supplement.

Unless otherwise specified in the applicable Prospectus Supplement, "Commercial Paper Rate" means, with respect to any Commercial Paper Interest Determination Date, the Money Market Yield (calculated as described below) of the rate on such date for commercial paper having the Index Maturity specified in the applicable Prospectus Supplement as published by the Board of Governors of the Federal Reserve System in "Statistical Release H.15(519), Selected Interest Rates" or any successor publication of the Board of Governors ("H.15(519)") under the heading "Commercial Paper." In the event that such rate is not published prior to 9:00 A.M., New York City time, on the Calculation Date pertaining to such Commercial Paper Interest Determination Date, then the Commercial Paper Rate with respect to such Commercial Paper Interest Determination Date will be the Money Market Yield of the rate on such Commercial Paper Interest Determination Date for commercial paper having the Index Maturity specified in the applicable Prospectus Supplement as published by the Federal Reserve Bank of New York in its daily statistical release "Composite 3:30 P.M. Quotations for U.S. Government Securities" or any successor publication ("Composite Quotations") under the heading "Commercial Paper." If by 3:00 P.M., New York City time, on such Calculation Date such rate is not published in either H.15(519) or Composite Quotations, then the Commercial Paper Rate with respect to such Commercial Paper Interest Determination Date will be calculated by the Calculation Agent and will be the Money Market Yield of the arithmetic mean of the offered rates (quoted on a bank discount basis) as of 11:00 A.M., New York City time, on such Commercial Paper Interest Determination Date of three leading dealers of commercial paper in The City of New York selected by the Calculation Agent for commercial paper having the Index Maturity specified in the applicable Prospectus Supplement placed for an industrial issuer whose bond rating is "AA," or the equivalent, from a nationally recognized securities rating agency; provided, however, that if the dealers selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, the Commercial Paper Rate with respect to such Commercial Paper Interest Determination Date will be the Commercial Paper Rate in effect immediately prior to such Commercial Paper Interest Determination Date.

"Money Market Yield" will be a yield (expressed as a percentage rounded, if necessary, to the nearest one hundred-thousandth of a percent) calculated in accordance with the following formula:

<TABLE>
<S> <C> <C>

$$\text{Money Market Yield} = \frac{360 - (D \times M)}{D \times 360} \times 100$$

</TABLE>

where "D" refers to the per annum rate for commercial paper, quoted on a bank discount basis and expressed as a decimal; and "M" refers to the actual number of days in the period for which accrued interest is being calculated.

LIBOR NOTES

Each LIBOR Note will bear interest at the interest rate (calculated with reference to LIBOR and the Spread and/or Spread Multiplier, if any) specified in the LIBOR Note and in the applicable Prospectus Supplement.

Unless otherwise specified in the applicable Prospectus Supplement, "LIBOR" means, with respect to any LIBOR Interest Determination Date, the rate determined by the Calculation Agent in accordance with the following provisions:

(i) With respect to any LIBOR Interest Determination Date, LIBOR will be either: (a) if "LIBOR Reuters" is specified in the Note and the applicable Prospectus Supplement, the arithmetic mean of the offered rates (unless the specified Designated LIBOR Page (as defined below) by its terms provides only for a single rate, in which case such single rate will be used) for deposits in United States dollars having the Index Maturity specified in the Note and the applicable Prospectus Supplement, commencing on the second London Business Day immediately following such LIBOR Interest Determination Date, which appear on the Designated LIBOR Page specified in the Note and the applicable Prospectus Supplement as of 11:00 A.M., London time, on that LIBOR Interest Determination Date, if at least two such offered rates appear (unless, as aforesaid, only a single rate is required) on such Designated LIBOR Page, or (b) if "LIBOR Telerate" is specified in the Note and the applicable Prospectus Supplement, the rate for deposits in United States dollars having the Index Maturity specified in the Note and the applicable Prospectus Supplement, commencing on the second London Business Day immediately following such LIBOR Interest Determination Date, which appears on the Designated LIBOR Page specified in the Note and the applicable Prospectus Supplement as of 11:00 A.M., London time, on that LIBOR Interest Determination Date. Notwithstanding the foregoing, if fewer than two offered rates appear on the Designated LIBOR Page with respect to LIBOR Reuters (unless the specified Designated LIBOR Page by its terms provides only for a single rate, in which case such single rate will be used), or if no rate appears on the Designated LIBOR Page with respect to LIBOR Telerate, whichever may be applicable, LIBOR with respect to such LIBOR Interest Determination Date will be determined as if the parties had specified the rate described in clause (ii) below.

(ii) With respect to any LIBOR Interest Determination Date on which fewer than two offered rates appear on the Designated LIBOR Page with respect to LIBOR Reuters (unless the specified Designated LIBOR Page by its terms provides only for a single rate, in which case such single rate will be used), or if no rate appears on the Designated LIBOR Page with respect to LIBOR Telerate, as the case may be, the Calculation Agent will request the principal London office of each of four major banks in the London interbank market selected by the Calculation Agent to provide the Calculation Agent with its offered rate quotation for deposits in United States dollars for the period of the Index Maturity specified in the Note and the applicable Prospectus Supplement, commencing on the second London Business Day immediately following such LIBOR Interest Determination Date, to prime banks in the London interbank market as of 11:00 A.M., London time, on such LIBOR Interest Determination Date and in a principal amount that is representative for a single transaction in United States dollars in such market at such time. If at least two such quotations are provided, LIBOR with respect to such LIBOR Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of such quotations. If fewer than two quotations are provided, LIBOR with respect to such LIBOR Interest Determination Date will be the arithmetic mean of the rates quoted as of 11:00 A.M. New York City Time, on such LIBOR Interest Determination Date by three major banks in The City of New York selected by the Calculation Agent for loans in United States Dollars to leading European banks, commencing on the second London Business Day immediately following such LIBOR Interest Determination Date having the Index Maturity specified in the Note and the applicable Prospectus Supplement in a principal amount that is representative for a single transaction in such United States dollars in such market at such time; PROVIDED, HOWEVER, that if the banks so selected by the Calculation Agent are not quoting as mentioned in this sentence, LIBOR with respect to such LIBOR Interest Determination Date will be LIBOR in effect immediately prior to such LIBOR Interest Determination Date.

"Designated LIBOR Page" means either (a) the display on the Reuters Monitor Money Rates Service for the purpose of displaying the London interbank rates of major banks for United States Dollars (if "LIBOR Reuters" is specified in the Note and the applicable Prospectus Supplement), or (b) the display

on the Dow Jones Telerate Service for the purpose of displaying the London interbank rates of major banks for United States dollars (if "LIBOR Telerate" is

specified in the Note and the applicable Prospectus Supplement). If neither LIBOR Reuters nor LIBOR Telerate is specified in the Note and the applicable Prospectus Supplement, LIBOR for United States dollars will be determined as if LIBOR Telerate (and page 3750) had been chosen.

PRIME RATE NOTES

Each Prime Rate Note will bear interest at the interest rate (calculated with reference to the Prime Rate and the Spread and/or Spread Multiplier, if any) specified in the Prime Rate Note and in the applicable Prospectus Supplement.

Unless otherwise specified in the applicable Prospectus Supplement, "Prime Rate" means, with respect to any Prime Interest Determination Date, the rate on such date as published in H.15(519) under the heading "Bank Prime Loan." In the event that such rate is not published prior to 9:00 A.M., New York City time, on the Calculation Date pertaining to such Prime Interest Determination Date, then the Prime Rate with respect to such Prime Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the rates of interest publicly announced by each bank that appears on the Reuters Screen USPRIME1 as such bank's prime rate or base lending rate as in effect with respect to such Prime Interest Determination Date. If fewer than four such rates appear on the Reuters Screen USPRIME1 with respect to such Prime Interest Determination Date, the Prime Rate with respect to such Prime Interest Determination Date will be calculated by the Calculation Agent and will be the arithmetic mean of the prime rates quoted on the basis of the actual number of days in the year divided by 360 as of the close of business on such Prime Interest Determination Date by at least two of the three major money center banks in The City of New York selected by the Calculation Agent. If fewer than two quotations are provided, the Prime Rate with respect to such Prime Interest Determination Date will be determined on the basis of the rates furnished in The City of New York by the appropriate number of substitute banks or trust companies organized and doing business under the laws of the United States, or any state thereof, having total equity capital of at least $500,000,000 and being subject to supervision or examination by federal or state authority, selected by the Calculation Agent to provide such rate or rates; PROVIDED, HOWEVER, that if the appropriate number of substitute banks or trust companies selected as aforesaid are not quoting as mentioned in this sentence, the Prime Rate with respect to such Prime Interest Determination Date will be the Prime Rate in effect immediately prior to such Prime Interest Determination Date.

"Reuters Screen USPRIME1" means the display designated as page "USPRIME1" on the Reuters Monitor Money Rate Service (or such other page which may replace the USPRIME1 page on the service for the purpose of displaying the prime rate or base lending rate of major banks).

TREASURY RATE NOTES

Each Treasury Rate Note will bear interest at the interest rate (calculated with reference to the Treasury Rate and the Spread and/or Spread Multiplier, if any) specified in the Treasury Rate Note and in the applicable Prospectus Supplement.

Unless otherwise specified in the applicable Prospectus Supplement, "Treasury Rate" means, with respect to any Treasury Interest Determination Date, the rate resulting from the most recent auction of direct obligations of the United States ("Treasury bills") having the Index Maturity specified in the applicable Prospectus Supplement, as such rate is published in H.15(519) under the heading, "Treasury bills--auction average (investment)" or, if not so published by 3:00 P.M., New York City time, on the Calculation Date pertaining to such Treasury Interest Determination Date, the average auction rate on such Treasury Interest Determination Date (expressed as a bond equivalent, on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) as otherwise announced by the United States Department of the Treasury. In the event that the results of the auction of Treasury Bills having the

specified Index Maturity are not reported as provided above by 3:00 P.M., New York City time, on the Calculation Date pertaining to such Treasury Interest Determination Date, or if no such auction is held in a particular week, then the Treasury Rate with respect to such Treasury Interest Determination Date will be calculated by the Calculation Agent and will be a yield to maturity (expressed as a bond equivalent, on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) of the arithmetic mean of the secondary market bid rates, as of approximately 3:30 P.M., New York City time, on such Treasury Interest Determination Date, of three leading primary U.S. government securities dealers selected by the Calculation Agent for the issue of Treasury bills with a remaining maturity closest to the Index Maturity specified in the applicable

Prospectus Supplement; PROVIDED, HOWEVER, that if the dealers selected as aforesaid by the Calculation Agent are not quoting as mentioned in this sentence, the Treasury Rate with respect to such Treasury Interest Determination Date will be the Treasury Rate in effect immediately prior to such Treasury Interest Determination Date.

ORIGINAL ISSUE DISCOUNT NOTES

The Company may from time to time offer Original Issue Discount Notes. The Prospectus Supplement applicable to certain Original Issue Discount Notes may provide that Holders of such Notes will not receive periodic payments of interest. For purposes of determining whether Holders of the requisite principal amount of Notes outstanding under the Indenture have made a demand or given a notice or waiver or taken any other action, the outstanding principal amount of Original Issue Discount Notes shall be deemed to be the amount of the principal that would be due and payable upon declaration of acceleration of the Stated Maturity thereof as of the date of such determination. See "General."

"Original Issue Discount Note" means (i) a Note that has a "stated redemption price at maturity" that exceeds its "issue price" (each as defined for United States federal income tax purposes) by at least 0.25% of its stated redemption price at maturity multiplied by the number of complete years from the Original Issue Date to the Stated Maturity for such Note (or, in the case of a Note that provides for payment of any amount other than the "qualified stated interest" (as so defined) prior to maturity, the weighted average maturity of the Note) and (ii) any other Note designated by the Company as issued with original issue discount for United States federal income tax purposes.

AMORTIZING NOTES

The Company may from time to time offer Notes for which payments of principal and interest are made in installments over the life of the Note ("Amortizing Notes"). Interest on each Amortizing Note will be computed as specified in the applicable Prospectus Supplement. Unless otherwise specified in the applicable Prospectus Supplement, payments with respect to an Amortizing Note will be applied first to interest due and payable thereon and then to the reduction of the unpaid principal amount thereof. A table setting forth repayment information with respect to each Amortizing Note will be attached to such Note and to the applicable Prospectus Supplement and will be available, upon request, to subsequent Holders.

RESET NOTES

The Prospectus Supplement relating to each Note will indicate whether the Company has the option with respect to such Note to reset the interest rate, in the case of a Fixed Rate Note, or to reset the Spread and/or Spread Multiplier, in the case of a Floating Rate Note (in each case, a "Reset Note"), and, if so, (i) the date or dates on which such interest rate or such Spread and/or Spread Multiplier, as the case may be, may be reset (each an "Optional Interest Reset Date") and (ii) the formula, if any, for such resetting.

The Company may exercise such option with respect to a Note by notifying the Trustee of such exercise at least 45 but not more than 60 calendar days prior to an Optional Interest Reset Date for such Note. If the Company so notifies the Trustee of such exercise, the Trustee will send not later than 40

calendar days prior to such Optional Interest Reset Date, by telegram, telex, facsimile transmission, hand delivery or letter (first class, postage prepaid) to the Holder of such Note a notice (the "Reset Notice") indicating (i) that the Company has elected to reset the interest rate, in the case of a Fixed Rate Note, or the Spread and/or Spread Multiplier, in the case of a Floating Rate Note, (ii) such new interest rate or such new Spread and/or Spread Multiplier, as the case may be, and (iii) the provisions, if any, for redemption of such Note during the period from such Optional Interest Reset Date to the next Optional Interest Reset Date or, if there is no such next Optional Interest Reset Date, to the Stated Maturity of such Note (each such period a "Subsequent Interest Period"), including the date or dates on which or the period or periods during which and the price or prices at which such redemption may occur during such Subsequent Interest Period.

Notwithstanding the foregoing, not later than 20 calendar days prior to an Optional Interest Reset Date for a Note, the Company may, at its option, revoke the interest rate, in the case of a Fixed Rate Note, or the Spread and/or Spread Multiplier, in the case of a Floating Rate Note, provided for in the Reset Notice and establish a higher interest rate, in the case of a Fixed Rate Note, or a Spread and/or Spread Multiplier resulting in a higher interest rate, in the case of a Floating Rate Note, for the Subsequent Interest Period commencing on

such Optional Interest Reset Date by causing the Trustee to send by telegram, telex, facsimile transmission, hand delivery or letter (first class, postage prepaid) notice of such higher interest rate or Spread and/or Spread Multiplier resulting in a higher interest rate, as the case may be, to the Holder of such Note. Such notice will be irrevocable. All Notes with respect to which the interest rate or Spread and/or Spread Multiplier is reset on an Optional Interest Reset Date to a higher interest rate or Spread and/or Spread Multiplier resulting in a higher interest rate will bear such higher interest rate, in the case of a Fixed Rate Note, or Spread and/or Spread Multiplier resulting in a higher interest rate, in the case of a Floating Rate Note, whether or not tendered for repayment as provided in the next paragraph.

If the Company elects prior to an Optional Interest Reset Date to reset the interest rate or the Spread and/or Spread Multiplier of a Note, the Holder of such Note will have the option to elect repayment of such Note, in whole but not in part, by the Company on such Optional Interest Reset Date at a price equal to the principal amount thereof plus accrued and unpaid interest to but excluding such Optional Interest Reset Date. In order for a Note to be so repaid on an Optional Interest Reset Date, the Holder thereof must follow the procedures set forth below under "Redemption and Repayment" for optional repayment, except that the period for delivery of such Note or notification to the Trustee will be at least 25 but not more than 35 calendar days prior to such Optional Interest Reset Date. A Holder who has tendered a Note for repayment following receipt of a Reset Notice may revoke such tender for repayment by written notice to the Trustee received prior to 5:00 P.M., New York City time, on the tenth calendar day prior to such Optional Interest Reset Date.

EXTENSION OF MATURITY

The Prospectus Supplement relating to each Note will indicate whether the Company has the option to extend the Stated Maturity of such Note for one or more periods of from one to five whole years (each an "Extension Period") up to but not beyond the date (the "Final Maturity Date") specified in such Prospectus Supplement.

The Company may exercise such option with respect to a Note by notifying the Trustee of such exercise at least 45 but not more than 60 calendar days prior to the Stated Maturity of such Note (including, if such Stated Maturity has previously been extended, the Stated Maturity as previously extended) in effect prior to the exercise of such option (the "Pre-Exercise Stated Maturity Date"). If the Company so notifies the Trustee of such exercise, the Trustee will send not later than 40 calendar days prior to the Pre-Exercise Stated Maturity Date, by telegram, telex, facsimile transmission, hand delivery or letter (first class, postage prepaid) to the Holder of such Note a notice (the "Extension Notice") relating to such Extension Period, indicating (i) that the Company has elected to extend the Stated Maturity of such

Note, (ii) the new Stated Maturity, (iii) in the case of a Fixed Rate Note, the interest rate applicable to such Extension Period or, in the case of a Floating Rate Note, the Spread and/or Spread Multiplier applicable to the Extension Period, and (iv) the provisions, if any, for redemption of such Note during the Extension Period, including the date or dates on which or the period or periods during which and the price or prices at which such redemption may occur during the Extension Period. Upon the sending by the Trustee of an Extension Notice to the Holder of a Note, the Stated Maturity of such Note will be extended automatically, and, except as modified by the Extension Notice and as described in the next two paragraphs, such Note will have the same terms as prior to the sending of such Extension Notice.

Notwithstanding the foregoing, not later than 20 calendar days prior to the Pre-Exercise Stated Maturity Date for a Note, the Company may, at its option, revoke the interest rate, in the case of a Fixed Rate Note, or the Spread and/or Spread Multiplier, in the case of a Floating Rate Note, provided for in the Extension Notice and establish a higher interest rate, in the case of a Fixed Rate Note, or a Spread and/or Spread Multiplier resulting in a higher interest rate, in the case of a Floating Rate Note, for the Extension Period by causing the Trustee to send by telegram, telex, facsimile transmission, hand delivery or letter (first class, postage prepaid) notice of such higher interest rate or Spread and/or Spread Multiplier resulting in a higher interest rate, as the case may be, to the Holder of such Note. Such notice will be irrevocable. All Notes with respect to which the Stated Maturity is extended will bear such higher interest rate, in the case of a Fixed Rate Note, or Spread and/or Spread Multiplier resulting in a higher interest rate, in the case of a Floating Rate Note, for the Extension Period, whether or not tendered for repayment as provided in the next paragraph.

If the Company extends the Stated Maturity of a Note (including, if such

Stated Maturity has previously been extended, the Stated Maturity as previously extended), the Holder of such Note will have the option to elect repayment of such Note, in whole but not in part, by the Company on the Pre-Exercise Stated Maturity Date (including the last day of the then current Extension Period) at a price equal to the principal amount thereof plus accrued and unpaid interest to but excluding such date. In order for a Note to be so repaid on the Original Stated Maturity Date, the Holder thereof must follow the procedures set forth below under "Redemption and Repayment" for optional repayment, except that the period for delivery of such Note or notification to the Trustee will be at least 25 but not more than 35 calendar days prior to the Original Stated Maturity Date. A Holder who has tendered a Note for repayment following receipt of an Extension Notice may revoke such tender for repayment by written notice to the Trustee received prior to 5:00 P.M., New York City time, on the tenth calendar day prior to the Original Stated Maturity Date.

RENEWABLE NOTES

The applicable Prospectus Supplement will indicate whether a Note (other than an Amortizing Note) will mature at its Pre-Exercise Stated Maturity Date unless the term of all or any portion of any such Note is renewed by the Holder in accordance with the procedures described in such Prospectus Supplement.

COMBINATION OF PROVISIONS

If so specified in the applicable Prospectus Supplement, any Note may be subject to all of the provisions, or any combination of the provisions, described above under "Reset Notes," "Extension of Maturity" and "Renewable Notes."

REDEMPTION AND REPAYMENT

Unless otherwise specified in the applicable Prospectus Supplement, the Notes will not be subject to any sinking fund. The Notes will be redeemable at the option of the Company prior to the Stated Maturity thereof only if an Initial Redemption Date is specified in the applicable Prospectus Supplement ("Initial Redemption Date"). If so specified, the Notes will be subject to redemption at the option of the Company on the date or dates and at the prices specified in such Prospectus Supplement. The selection of Notes or portions thereof to be redeemed prior to their Stated Maturity shall be in the sole discretion of the Company. Each Note which by its terms is redeemable prior to its Stated Maturity may be redeemed by the Company in whole or in part without also redeeming any other Note which is redeemable prior to its Stated Maturity. The Company may exercise any such option by causing the Trustee to mail a notice of such redemption at least 30 but not more than 60 calendar days prior to the date of redemption in accordance with the provisions of the Indenture. In the event of redemption of a Note in part only, such Note will be canceled and a new Note or Notes representing the unredeemed portion thereof will be issued in the name of the Holder thereof. (Section 3.02)

Unless otherwise specified in the applicable Prospectus Supplement, a Note will not be repayable prior to Stated Maturity at the option of the Holder. If so specified, a Note will be repayable at the option of the Holder, in whole or in part, on a date or dates prior to Stated Maturity and at a price or prices specified in the applicable Prospectus Supplement, plus accrued and unpaid interest to but excluding the date of repayment.

In order for a Note that is repayable at the option of the Holder to be repaid prior to Stated Maturity, the Trustee must receive at least 30 but not more than 45 calendar days prior to the repayment date (i) the Note with the form entitled "Option to Elect Repayment" on the reverse of the Note duly completed or (ii) a telegram, telex, facsimile transmission, hand delivery or letter (first class, postage prepaid) from a member of a national securities exchange or the National Association of Securities Dealers, Inc. or a commercial bank or trust company in the United States setting forth the name of the Holder of the Note, the principal amount of the Note, the principal amount of the Note to be repaid, the certificate number or a description of the tenor and terms of the Note, a statement that the option to elect repayment is being exercised thereby and a guarantee that the Note to be repaid with the form entitled "Option to Elect Repayment" set forth in the Note duly completed will be received by the Trustee not later than five Business Days after the date of such telegram, telex, facsimile transmission, hand delivery or letter and such Note and form duly completed are received by the Trustee by such fifth Business Day. Exercise of the repayment option by the Holder of a Note will be irrevocable, except that a Holder who has tendered a Note for repayment may revoke such tender for repayment by written notice to the Paying Agent received prior to 5:00 P.M., New York City time, on the tenth calendar day prior to the repayment date. The repayment option may be exercised by the Holder of a Note for less

than the entire principal amount of the Note provided that the principal amount of the Note remaining outstanding after such repayment is an authorized denomination. Upon such partial repayment such Note will be canceled and a new Note or Notes for the remaining principal amount thereof will be issued in the name of the Holder thereof.

While any Book-Entry Note is represented by one or more global Notes (each, a "Global Note") held by or on behalf of the Depositary, and registered in the name of the Depositary or its nominee, any such option for repayment may be exercised by the applicable Participant (as defined below under "Book-Entry System") that has an account with the Depositary, on behalf of a Beneficial Owner of the Global Note or Notes representing such Book-Entry Notes, by delivering a written notice substantially similar to the above-mentioned form duly completed to the Trustee at its Corporate Trust Office (or such other address of which the Company will from time to time notify the Holders), at least 30 but not more than 60 calendar days prior to the date of repayment. Notices of election from Participants on behalf of Beneficial Owners of the Global Note or Notes representing such Book-Entry Notes to exercise their option to have such Book-Entry Notes repaid must be received by the Trustee by 5:00 P.M., New York City time, on the last day for giving such notice. In order to ensure that a notice is received by the Trustee on a particular day, the

Beneficial Owner of the Global Note or Notes representing such Book-Entry Notes must so direct the applicable Participant before such Participant's deadline for accepting instructions for that day. Different firms may have different deadlines for accepting instructions from their customers. Accordingly, Beneficial Owners of the Global Note or Notes representing Book-Entry Notes should consult the Participants through which they own their interest therein for the respective deadlines for such Participants. All notices shall be executed by a duly authorized officer of such Participant (with signatures guaranteed) and will be irrevocable. In addition, Beneficial Owners of the Global Note or Notes representing Book-Entry Notes shall effect delivery at the time such notices of election are given to the Depositary by causing the applicable Participant to transfer such Beneficial Owner's interest in the Global Note or Notes representing such Book-Entry Notes, on the Depositary's records, to the Trustee. See "Book-Entry System." (Section 3.04)

If applicable, the Company will comply with the requirements of Rule 14e-1 under the Exchange Act, and any other securities laws or regulations in connection with any such repayment.

REPURCHASE

The Company may at any time purchase Notes at any price or prices in the open market or otherwise. Notes so purchased by the Company may be held or resold or, at the discretion of the Company, may be surrendered to the Trustee for cancellation.

OTHER PROVISIONS

Any provisions with respect to the determination of an Interest Rate Basis, the specifications of an Interest Rate Basis, calculation of the interest rate applicable to, or the principal payable at Maturity on, any Note, its Interest Payment Dates or any other matter relating thereto may be modified by the terms as specified on the face of such Note, or in an annex relating thereto if so specified on the face thereof, and/or in the applicable Prospectus Supplement.

BOOK-ENTRY SYSTEM

DTC will act as securities depositary for the Book-Entry Notes. The Book-Entry Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Global Note will be issued for each issue of the Notes, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds the maximum principal amount (if any) permitted by DTC, one Global Note will be issued with respect to such maximum principal amount and an additional Global Note will be issued with respect to any remaining principal amount of such issue.

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 Section 17A of the Exchange Act. 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 ("Direct Participants") include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to DTC's system is also available to others such as securities brokers and dealers, banks and trust companies that clear 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 Commission.

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

To facilitate subsequent transfers, all Global Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Global Notes 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 Book-Entry Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Book-Entry Notes 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 for Book-Entry Notes shall be sent to Cede & Co. If less than all of the Book-Entry Notes within an issue are being redeemed, DTC's current practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Book-Entry Notes. Under its usual procedures, DTC will mail an "Omnibus Proxy" to the issuer as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Book-Entry Notes are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Book-Entry Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable 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 the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case of 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 paying agent or the Company, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Company or the paying agent, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

A Beneficial Owner must give notice to elect to have its Book-Entry Notes purchased or tendered, through its Participant, to the paying agent, and must effect delivery of such Book-Entry Notes by causing the Direct Participant to transfer the Participant's interest in the Book-Entry Notes, on DTC's records, to the paying agent. The requirement for physical delivery of Book-Entry Notes in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Book-Entry Notes are transferred by

Direct Participants on DTC's records.

If DTC is at any time unwilling or unable to continue as depositary or if DTC ceases to be a "clearing agency" registered pursuant to Section 17A of the Exchange Act, and, in either case, a successor depositary

is not appointed by the Company within 90 days, or if any Notes are represented by a Global Note at a time when an Event of Default with respect to the Notes shall have occurred and be continuing, the Company will issue individual Certificated Notes in exchange for Book-Entry Notes represented by Global Notes. In addition, the Company may at any time, and in its sole discretion, determine that one or more Book-Entry Notes will no longer be represented by one or more Global Notes and, in such event, will issue individual Certificated Notes in exchange for Book-Entry Notes represented by such Global Notes.

The Company may decide to discontinue use of the system of book-entry transfers through DTC (or a successor Notes depositary). In that event, Certificated Notes will be printed and delivered in exchange for the Book-Entry Notes represented by the Global Notes held by DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Company believes to be reliable, but the Company takes no responsibility for the accuracy thereof. So long as DTC or its nominee is the registered owner of a Global Note, DTC or its nominee, as the case may be, will be considered the sole Holder of the Notes represented by such Global Note for all purposes under the Indenture. Except as provided above, owners of beneficial interests in a Global Note will not be entitled to have the Note represented by such Global Note registered in their names, will not receive or be entitled to receive physical delivery of such Note in certificated form and will not be considered the owners or Holders thereof under the Indenture. The laws of some states require that certain purchasers of securities take physical delivery of such securities in certificated form; accordingly, such laws may limit the transferability of beneficial interests in a Global Note.

None of the Company, the Agent, the Trustee, any paying agent or the registrar for the Notes will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. (Section 2.12)

EXCHANGE, REGISTRATION AND TRANSFER

Notes will be exchangeable for registered Notes of like aggregate principal amount and of like Stated Maturity (as defined below under "Certain Definitions") and with like terms and conditions. Upon surrender for registration of transfer of any Note at the office or agency of the Company maintained for such purpose, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee, one or more new registered Notes of the like aggregate principal amount of such denominations as are authorized for Notes of a like Stated Maturity and with like terms and conditions. No service charge will be made for any transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. (Section 3.05)

The Company shall not be required (i) to register, transfer or exchange Notes during a period beginning at the opening of business 15 days before the day of the transmission of a notice of redemption of Notes of a like Stated Maturity and with like terms and conditions selected for redemption and ending at the close of business on the day of such transmission, or (ii) to register, transfer or exchange any Note so selected for redemption in whole or in part, except the unredeemed portion of any Note being redeemed in part. (Section 3.05)

EVENTS OF DEFAULT

Under the Indenture, "Event of Default" with respect to any Note means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law, pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body): (1) default in the payment of any interest upon any Note when it becomes due and payable, and continuance of such default for a period of 30 days; (2) default in the payment of the principal of (and premium, if any, on) any Note at its Maturity;

(3) default in the performance or breach of any covenant or warranty in the Indenture (other than a covenant or warranty a default in whose performance or whose breach is elsewhere in the Indenture specifically dealt with), and continuance of such default or breach for a period of 60 days after there has been given to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, a written notice specifying such default or breach and requiring it to be remedied; (4) default (i) in the payment of any principal of or interest on any Indebtedness of the Company or any Subsidiary of the Company (other than Notes), aggregating more than $10,000,000 in principal amount, when due after giving effect to any applicable grace period or (ii) in the performance of any other term or provision of any Indebtedness of the Company or any Subsidiary of the Company (other than Notes) in excess of $10,000,000 principal amount that results in such Indebtedness becoming or being declared due and payable prior to the date on which it would otherwise become due and payable, and such acceleration shall not have been rescinded or annulled, or such Indebtedness shall not have been discharged, within a period of 15 days after there has been given to the Company by the Trustee or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, a written notice specifying such default or defaults; (5) the entry against the Company or any Subsidiary of the Company of one or more judgments, decrees or orders by a court from which no appeal may be or is taken for the payment of money, either individually or in the aggregate, in excess of $10,000,000, and the continuance of such judgment, decree or order unsatisfied and in effect for any period of 45 consecutive days after the amount thereof is due without a stay of execution; (6) certain events of bankruptcy, insolvency or reorganization with respect to the Company; or (7) any other Event of Default with respect to the subject Note described in the applicable Prospectus Supplement. (Section 8.01)

The Indenture requires the Company to file with the Trustee, annually, an officer's certificate as to the Company's compliance with all conditions and covenants under the Indenture. (Section 6.04) The Indenture provides that the Trustee may withhold notice to the Holders of Notes of any default (except payment defaults on any Note) if it determines that the withholding of such notice is in the interest of the Holders of such Notes. (Section 8.12)

If an Event of Default with respect to the Notes at the time outstanding occurs and is continuing, then in every case the Trustee or the Holders of not less than 25% in aggregate principal amount of the Notes then outstanding may declare the principal amount (or, if any Notes are Original Issue Discount Notes, the Amortized Face Amount) of all the Notes to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), and upon any such declaration such principal amount (or Amortized Face Amount) shall become immediately due and payable. Upon payment of such amount in United States dollars, all obligations of the Company in respect of the payment of principal of the Notes shall terminate (except as otherwise provided in the Indenture or the Prospectus Supplement). (Section 8.02)

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default with respect to the Notes shall occur and be continuing, the Trustee shall be under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any of the Holders of the Notes unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction. (Section 9.03). The Holders of a majority in principal amount of the outstanding Notes shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee under the Indenture, or exercising any trust or power conferred on the Trustee with respect to the Notes, unless the Trustee determines that the proceeding or action so directed may not lawfully be taken, would involve the Trustee in personal liability or would be unduly prejudicial to other Holders of Notes. (Section 8.11)

At any time after such a declaration of acceleration with respect to the Notes has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as provided

in the Indenture, the Holders of a majority in aggregate principal amount of the Notes then outstanding, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if (1) the Company has paid or deposited with the Trustee a sum in United States dollars sufficient to pay (A) all overdue installments of interest on all Notes, (B) the principal of (and premium, if any, on) any Notes which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in such Notes; (C) to the extent that payment of such interest is lawful, interest upon overdue installments of interest on each Note at the rate

borne by such Note, and (D) all sums paid or advanced by the Trustee and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and (2) all Events of Default with respect to the Notes, other than the nonpayment of the principal of the Notes which have become due solely by such declaration of acceleration, have been cured or waived as provided in the Indenture. No such rescission and waiver will affect any subsequent default or impair any right consequent thereon. (Section 8.02)

MERGER OR CONSOLIDATION

The Indenture provides that the Company may not consolidate with or merge into any other corporation or convey, transfer or lease its properties and assets substantially as an entirety to any Person, (1) unless the corporation formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer, or which leases, the properties and assets of the Company substantially as an entirety (the "successor corporation") is a corporation organized and existing under the laws of the United States or any State or the District of Columbia and expressly assumes by a supplemental indenture the due and punctual payment of the principal of (and premium, if any) and interest on all Notes and the performance of every covenant of the Indenture on the part of the Company to be performed or observed; (2) unless immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time, or both, would become an Event of Default, shall have occurred and be continuing; (3) if, as a result of any such consolidation or merger or such conveyance, transfer or lease, properties or assets of the Company would become subject to a mortgage, pledge, lien, security interest or other encumbrance which would not otherwise be permitted by the Indenture without making effective provision whereby the Notes then outstanding and any other indebtedness of the Company then entitled thereto will be equally and ratably secured with any and all indebtedness and obligations secured thereby, the Company or such successor corporation or Person, as the case may be, will take such steps as will be necessary effectively to secure all Notes equally and ratably with (or prior to) all indebtedness secured thereby; and (4) unless the Company has delivered to the Trustee an officers' certificate and an opinion of counsel each stating that such consolidation, merger, conveyance, transfer or lease and such supplemental indenture comply with the provisions of the Indenture and that all conditions precedent therein provided for relating to such transaction have been complied with. (Section 12.01)

MODIFICATION OR WAIVER

Without the consent of any Holders, the Company and the Trustee, at any time and from time to time, may enter into a supplemental indenture for any of the following purposes: (1) to make such provision in regard to matters or questions arising under the Indenture as may be necessary or desirable and not inconsistent with the Indenture or for the purpose of supplying any omission, curing any ambiguity, or curing, correcting or supplementing any defective or inconsistent provision; PROVIDED that such provisions may not adversely affect the interests of Holders of outstanding Notes created prior to the execution of such supplemental indenture in any material respect; (2) to change or eliminate any of the provisions of this Indenture; PROVIDED that any such change or elimination shall become effective only when there is no outstanding Note created prior to the execution of such supplemental indenture which is entitled to the benefit of such provision; (3) to secure the Notes; (4) to establish the form of Notes as permitted by the Indenture or to establish or reflect any terms of any Note determined in accordance with the Indenture;

(5) to evidence the succession of another corporation to the Company, and the assumption by any such successor of the covenants of the Company in the Indenture and in the Notes; (6) to grant to or confer upon the Trustee for the benefit of the Holders any additional rights, remedies, powers or authority; (7) to permit the Trustee to comply with any duties imposed upon it by law; (8) to specify further the duties and responsibilities of, and to define further the relationships among, the Trustee, any Authenticating Agent and any paying agent; (9) to add to the covenants of the Company for the benefit of the Holders of all or any Notes (and if such covenants are to be for the benefit of less than all Notes, stating that such covenants are expressly being included solely for the benefit of such Notes), or to surrender a right or power conferred on the Company in the Indenture; and (10) to add any additional Events of Default (and if such Events of Default are to be applicable to less than all Notes, stating that such Events of Default are expressly being included for the benefit of such Notes). (Section 13.01)

With the consent of the Holders of a majority in aggregate principal amount of the Notes then outstanding that would be affected by the particular supplemental indenture, the Company and the Trustee, may at any time and from time to time, enter into a supplemental indenture for the purpose of adding any

provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of modifying in any manner the rights of the Holders of such Notes; PROVIDED, HOWEVER, that no such supplemental indenture may (i) change the Stated Maturity of any Note; or reduce the rate of interest on any Note; or change the method of calculating interest, or any term used in the calculation of interest or the period for which interest is payable, on any Floating Rate Note; or reduce the principal amount of any Note or any premium thereon, or reduce the amount of the principal of an Original Issue Discount Note that would be due and payable upon a declaration of acceleration of the Maturity thereof, or adversely affect the right of repayment or renewal, if any, at the option of the Holder; or change the currency of payment of any Note; or change the date on which any Note may be redeemed; or adversely affect the rights of any Holder to institute suit for the enforcement of any payment of principal of or any premium or interest on any Note; in each case without the consent of the Holder of each Note then outstanding that would be affected thereby, including Notes for which an offer to purchase has been accepted by the Company, or (ii) reduce the aforesaid percentage of the principal amount of Notes, the Holders of which are required to consent to any such supplemental indenture, or the percentage in principal amount of the Notes then outstanding, the consent of the Holders of which is required for any waiver of certain past defaults or Events of Default under the Indenture or the consequences thereof, in each case without the consent of the Holders of all of the Notes then outstanding. (Section 13.02)

Prior to any declaration accelerating the Maturity of the Notes, the Holders of a majority in aggregate principal amount of the Notes then outstanding may on behalf of the Holders of all the Notes waive any past default or Event of Default under the Indenture and its consequences, except a default (1) in the payment of the principal of or any premium or interest on any Note, or (2) in respect of a covenant or provision hereof which pursuant to the second paragraph under "Modification or Waiver" cannot be modified or amended without the consent of the Holder of each Note then outstanding that would be affected thereby. Upon any such waiver, such default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, for every purpose of the Indenture and the Notes, but no such waiver will extend to any subsequent or other default or Event of Default or impair any right consequent thereon. (Section 8.11)

The Company may omit in any particular instance to comply with the covenants in the Indenture described above under "Restrictions on Secured Debt" (and if so specified in the applicable Prospectus Supplement, any covenant not set forth in the Indenture but specified in such Prospectus Supplement to be applicable to any Note, except as otherwise provided in such Prospectus Supplement), if before the time for such compliance the Holders of at least a majority in aggregate principal amount of the Notes then outstanding either waive such compliance in such instance or generally waive compliance with such covenants, but no such waiver may extend to or affect any covenant except to the extent expressly so waived, and, until such waiver becomes effective, the obligations of the Company and the duties of the Trustee in respect of any such covenant will remain in full force and effect. (Section 6.07)

DISCHARGE OF INDENTURE

The Indenture may be discharged, subject to certain terms and conditions, when (1) either (A) all Notes theretofore authenticated and delivered have been delivered to the Trustee for cancellation, or (B) all such Notes not theretofore delivered to the Trustee for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year, or (iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice by the Trustee, and the Company, in the case of (i), (ii) or (iii) of this subclause (B), has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust for such purpose an amount in United States dollars, U.S. Government Obligations maturing as to principal and interest in such amounts and at such times as will ensure the availability of United States dollars, or a combination of United States dollars and U.S. Government Obligations, sufficient to pay and discharge the entire indebtedness on such Notes for principal (and premium, if any) and interest to the date of such deposit (in the case of Notes which have become due and payable) or to the Stated Maturity or Redemption Date, as the case may be; PROVIDED, HOWEVER, in the event a petition for relief under any applicable federal or state bankruptcy, insolvency or other similar law is filed with respect to the Company within 91 days after the deposit and the Trustee is required to return the deposited money to the Company, the obligations of the Company under the Indenture with respect to such Notes will not be deemed terminated or discharged; (2) the Company has paid or caused to be paid all other sums payable under the Indenture by the Company; (3) the Company has delivered to the Trustee an officers' certificate and an opinion of counsel each stating that all conditions precedent therein provided for relating to the

satisfaction and discharge of the Indenture with respect to the Notes have been complied with; and (4) the Company has delivered to the Trustee an opinion of counsel or a ruling of the Internal Revenue Service to the effect that Holders of the Notes will not recognize income, gain or loss for federal income tax purposes as a result of such deposit and discharge. (Section 5.01)

PAYMENT AND PAYING AGENTS

So long as any of the Notes remain outstanding, the Company will maintain in the Borough of Manhattan, The City of New York, an office or agency where the Notes may be presented for registration of transfer and for exchange as in the Indenture provided, and where, at any time when the Company is obligated to make a payment upon Notes (other than a payment which it is permitted to make by check), the Notes may be presented for payment, and will maintain at any such office or agency and at its principal office an office or agency where notices and demands to or upon the Company in respect of the Notes or of this Indenture may be served; PROVIDED that the Company may maintain at its principal executive offices, one or more other offices or agencies for any or all of the foregoing purposes. The Company has appointed the Trustee as agent of the Company for the foregoing purposes. (Section 6.02)

REGARDING THE TRUSTEE

The Trustee is one of a number of banks with which the Company maintains ordinary banking relationships and from which the Company has obtained credit facilities and lines of credit.

CERTAIN DEFINITIONS

Set forth below is a summary of certain defined terms as used in the Indenture. Reference is made to Article One of the Indenture for the full definition of all such terms.

"Common Shareholders' Equity," at any time, means the total common shareholders' equity of the Company and its consolidated subsidiaries, determined on a consolidated basis in accordance with generally accepted accounting principles, as of the end of the most recently completed fiscal quarter of the Company for which financial information is then available.

"Holder" means the person in whose name a Registered Note is registered in the Note register.

"Indebtedness" means with respect to any person (i) any liability of such person (a) for borrowed money, or (b) evidenced by a bond, note, debenture or similar instrument (including purchase money obligations but excluding trade payables), or (c) for the payment of money relating to a lease that is required to be classified as a capitalized lease obligation in accordance with generally accepted accounting principles; (ii) any liability of others described in the preceding clause (i) that such person has guaranteed, that is recourse to such person or that is otherwise its legal liability; and (iii) any amendment, supplement, modification, deferral, renewal, extension or refunding of any liability of the types referred to in clauses (i) and (ii) above.

"Maturity" when used with respect to any Note means the date on which the principal of the Note or an installment of principal becomes due and payable as provided therein or in the Indenture, whether at the Stated Maturity or by declaration of acceleration, call for redemption, repayment at the option of the Holder or otherwise.

"Outstanding" when used with respect to Notes, means, as of the date of determination, all the Notes theretofore authenticated and delivered under the Indenture, except as provided in such Indenture.

"Principal Facility" means the real property, fixtures, machinery and equipment relating to any facility owned by the Company or any Subsidiary (which may include a network of electric or gas distribution facilities or a network of electric or gas transmission facilities), except any facility that, in the opinion of the Board of Directors, is not of material importance to the business conducted by the Company and its Subsidiaries, taken as a whole.

"Regulated Subsidiary" means any Subsidiary which owns or operates facilities used for the transmission or distribution of electric energy and is subject to the jurisdiction of any governmental authority of the United States or any state or political subdivision thereof, as to any of its: rates; services; accounts; issuances of securities; affiliate transactions; or construction, acquisition or sale of any such facilities, except that any "exempt wholesale generator", "qualifying facility", "foreign utility company",

and "power marketer", each as defined in the Indenture, shall not be a Regulated Subsidiary.

"Subsidiary" means any corporation of which at least a majority of the outstanding stock having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation, irrespective of whether or not at the time stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency, is at the time, directly or indirectly, owned or controlled by the Company or by one or more Subsidiaries thereof, or by the Company and one or more Subsidiaries.

"U.S. Government Obligations" means securities that are (i) direct obligations of the United States for the payment of which its full faith and credit is pledged, or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States, which, in either case under clause (i) or (ii), are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; PROVIDED that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

"Wholly-Owned Subsidiary" means a Subsidiary of which all of the outstanding voting stock (other than directors' qualifying shares) is at the time, directly or indirectly, owned by the Company, or by one or more Wholly-Owned Subsidiaries of the Company or by the Company and one or more Wholly-Owned Subsidiaries.

UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following summary describes the principal United States federal income tax consequences of the purchase, ownership and disposition of Notes to beneficial owners ("holders") of Notes purchasing Notes at their original issuance. This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), legislative history, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury Regulations (including Treasury Regulations which set forth rules applicable to debt instruments issued with "original issue discount", the "OID Regulations"), changes to any of which subsequent to the date hereof may affect the tax consequences described herein. Any such change may apply retroactively.

This summary discusses only the principal United States federal income tax consequences to those holders holding Notes as capital assets within the meaning of Section 1221 of the Code. It does not address all of the tax consequences that may be relevant to a holder in light of the holder's particular circumstances or to holders subject to special rules (including pension plans and other tax-exempt investors, banks, thrifts, insurance companies, real estate investment trusts, regulated investment companies, dealers in securities or currencies and persons so treated for federal income tax purposes, persons whose functional currency (as defined in Section 985 of the Code) is other than the United States dollar, and persons who hold Notes as part of a straddle, hedging or conversion transaction). This summary also assumes that a taxpayer obtains any necessary consent of the Internal Revenue Service ("IRS") before changing a method of accounting.

Persons considering the purchase of Notes should consult their tax advisors with regard to the application of United States federal income tax laws to their particular situations as well as any tax consequences to them arising under the laws of any state, local or foreign taxing jurisdiction.

As used herein, the term "United States Holder" means a beneficial owner of a Note who or which is, for United States federal income tax purposes, (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, or (iii) generally, an estate or trust described in Section 7701(a)(30) of the Code. The term also includes certain holders who are former citizens or long-term residents of the United States whose income and gain from the Notes will be subject to United States taxation.

TAXATION OF INTEREST

The taxation of interest on a Note depends on whether it constitutes

"qualified stated interest" (as defined below). Interest on a Note that constitutes qualified stated interest is includible in a United States Holder's income as ordinary interest income when actually or constructively received, if such Holder uses the cash method of accounting for federal income tax purposes, or when accrued, if such Holder uses an accrual method of accounting for federal income tax purposes. Interest that does not constitute qualified stated interest is included in a United States Holder's income under the rules described below under "Original Issue Discount," regardless of such Holder's method of accounting. Notwithstanding the foregoing, interest that is payable on a Note with a fixed maturity date of one year or less from its issue date (a "Short-Term Note") is included in a United States Holder's income under the rules described below under "Short-Term Notes."

FIXED RATE NOTES

Interest on a Fixed Rate Note will constitute "qualified stated interest" if the interest is unconditionally payable, or will be constructively received under Section 451 of the Code, in cash or in property (other than debt instruments of the Company) at least annually at a single fixed rate.

FLOATING RATE NOTES

Interest on a Floating Rate Note that is unconditionally payable, or will be constructively received under Section 451 of the Code, in cash or in property (other than debt instruments of the Company) at least annually will constitute "qualified stated interest" if the Note is a "variable rate debt instrument" ("VRDI") under the rules described below and the interest is payable at a single "qualified floating rate" or single "objective rate" (each as defined below). If the Note is a VRDI but the interest is payable other than at a single qualified floating rate or at a single objective rate, special rules apply to determine the portion of such interest that constitutes "qualified stated interest". See "Original Issue Discount--FLOATING RATE NOTES THAT ARE VRDIS," below.

DEFINITION OF VARIABLE RATE DEBT INSTRUMENT (VRDI), QUALIFIED FLOATING RATE AND OBJECTIVE RATE

A Note is a VRDI if all of the four following conditions are met. First, the "issue price" of the Note (as described below) must not exceed the total noncontingent principal payments by more than an amount equal to the lesser of (i) .015 multiplied by the product of the total noncontingent principal payments and the number of complete years to maturity from the issue date (or, in the case of a Note that provides for payment of any amount other than qualified stated interest before maturity, its weighted average maturity) and (ii) 15% of the total noncontingent principal payments.

Second, the Note must provide for stated interest (compounded or paid at least annually) at (a) one or more qualified floating rates, (b) a single fixed rate and one or more qualified floating rates, (c) a single objective rate or (d) a single fixed rate and a single objective rate that is a "qualified inverse floating rate" (as defined below).

Third, the Note must provide that a qualified floating rate or objective rate in effect at any time during the term of the Note is set at the value of the rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

Fourth, the Note may not provide for any principal payments that are contingent except as provided in the first requirement set forth above.

Subject to certain exceptions, a variable rate of interest on a Note is a "qualified floating rate" if variations in the value of the rate can reasonably be expected to measure contemporaneous fluctuations in the cost of newly borrowed funds in United States dollars. A variable rate will be considered a qualified floating rate if the variable rate equals (i) the product of an otherwise qualified floating rate and a fixed multiple (I.E., a Spread Multiplier) that is greater than 0.65, but not more than 1.35 or (ii) the product described in clause (i) plus or minus a fixed rate (I.E., a Spread). If the variable rate equals the product of an otherwise qualified floating rate and a single Spread Multiplier greater than 1.35 or less than or equal to 0.65, however, such rate will generally constitute an objective rate, described more fully below. A variable rate will not be considered a qualified floating rate if the variable rate is subject to a cap, floor, governor (I.E., a restriction on the amount of increase or decrease in the stated interest rate) or similar restriction that is reasonably expected as of the issue date to cause the yield on the Note to be significantly more or less than the expected yield determined without the restriction (other than a cap, floor or governor that is fixed

throughout the term of the Note).

Subject to certain exceptions, an "objective rate" is a rate (other than a qualified floating rate) that is determined using a single fixed formula and that is based on objective financial or economic information that is neither within the control of the Company (or a related party) nor unique to the circumstances of the Company (or a related party). For example, an objective rate generally includes a rate that is based on one or more qualified floating rates or on the yield of actively traded personal property (within the meaning of Section 1092(d)(1) of the Code). Notwithstanding the first sentence of this paragraph, a rate on a Note is not an objective rate if it is reasonably expected that the average value of the rate during the first half of the Note's term will be either significantly less than or significantly greater than the average

value of the rate during the final half of the Note's term. An objective rate is a "qualified inverse floating rate" if (a) the rate is equal to a fixed rate minus a qualified floating rate and (b) the variations in the rate can reasonably be expected to reflect inversely contemporaneous variations in the cost of newly borrowed funds (disregarding any caps, floors, governors or similar restrictions that would not, as described above, cause a rate to fail to be a qualified floating rate).

If interest on a Note is stated at a fixed rate for an initial period of one year or less, followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period, and the value of the variable rate on the issue date is intended to approximate the fixed rate, the fixed rate and the variable rate together constitute a single qualified floating rate or objective rate.

ORIGINAL ISSUE DISCOUNT

Original issue discount ("OID") with respect to a Note is the excess, if any, of the Note's "stated redemption price at maturity" over the Note's "issue price." A Note's "stated redemption price at maturity" is the sum of all payments provided by the Note (whether designated as interest or as principal) other than payments of qualified stated interest. The "issue price" of a Note is the first price at which a substantial amount of the Notes in the issuance that includes such Note is sold for money (excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers).

As described more fully below, United States Holders of Notes with OID that mature more than one year from their issue date generally will be required to include such OID in income as it accrues in accordance with the constant yield method described below, irrespective of the timing of receipt of the related cash payments. A United States Holder's tax basis in a Note is increased by each accrual of OID and decreased by each payment other than a payment of qualified stated interest.

The amount of OID with respect to a Note will be treated as zero if the OID is less than an amount equal to .0025 multiplied by the product of the stated redemption price at maturity and the number of complete years to maturity (or, in the case of a Note that provides for payment of any amount other than qualified stated interest prior to maturity, the weighted average maturity of the Note). If the amount of OID with respect to a Note is less than that amount, the de minimis OID that is not included in payments of stated interest is generally included in income as capital gain as principal payments are made. The amount includible with respect to a principal payment equals the product of the total amount of de minimis OID and a fraction, the numerator of which is the amount of such principal payment and the denominator of which is the stated principal amount of the Note.

FIXED RATE NOTES

In the case of OID with respect to a Fixed Rate Note, the amount of OID includible in the income of a United States Holder for any taxable year is determined under the constant yield method, as follows. First, the "yield to maturity" of the Note is computed. The yield to maturity is the discount rate that, when used in computing the present value of all interest and principal payments to be made under the Note (including payments of qualified stated interest), produces an amount equal to the issue price of the Note. The yield to maturity is constant over the term of the Note and, when expressed as a percentage, must be calculated to at least two decimal places.

Second, the term of the Note is divided into "accrual periods." Accrual periods may be of any length and may vary in length over the term of the Note,

provided that each accrual period is no longer than one year and that each scheduled payment of principal or interest occurs either on the final day of an accrual period or on the first day of an accrual period.

Third, the total amount of OID on the Note is allocated among accrual periods. In general, the OID allocable to an accrual period equals the product of the "adjusted issue price" of the Note at the beginning

of the accrual period and the yield to maturity of the Note, less the amount of any qualified stated interest allocable to the accrual period. The adjusted issue price of a Note at the beginning of the first accrual period is its issue price. Thereafter, the adjusted issue price of the Note is its issue price, increased by the amount of OID previously includible in the gross income of any holder and decreased by the amount of any payment previously made on the Note other than a payment of qualified stated interest. For purposes of computing the adjusted issue price of a Note, the amount of OID previously includible in the gross income of any holder is determined without regard to "premium," and "acquisition premium." as those terms are defined below under "Premium and Acquisition Premium."

Fourth, the "daily portions" of OID are determined by allocating to each day in an accrual period its ratable portion of the OID allocable to the accrual period.

A United States Holder includes in income in any taxable year the daily portions of OID for each day during the taxable year that such Holder held Notes. In general, under the constant yield method described above, United States Holders will be required to include in income increasingly greater amounts of OID in successive accrual periods.

FLOATING RATE NOTES THAT ARE VRDIS

The taxation of OID (including interest that does not constitute qualified stated interest) on a Floating Rate Note will depend on whether the Note is a "VRDI," as that term is defined above under "Taxation of Interest--DEFINITION OF VARIABLE RATE DEBT INSTRUMENT (VRDI), QUALIFIED FLOATING RATE AND OBJECTIVE RATE."

In the case of a VRDI that provides for qualified stated interest (as described above under "Taxation of Interest--Floating Rate Notes"), the amount of qualified stated interest and the amount of OID, if any, includible in income during a taxable year are determined under the rules applicable to Fixed Rate Notes (described above) by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or a qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), the rate that reflects the yield that is reasonably expected for the Note. Qualified stated interest allocable to an accrual period is increased (or decreased) if the interest actually paid during an accrual period exceeds (or is less than) the interest assumed to be paid during the accrual period.

If a Note that is a VRDI does not provide for qualified stated interest as described above, the amount of interest and OID accruals are determined by constructing an equivalent fixed rate debt instrument, as follows.

First, in the case of a Note that provides for interest at one or more qualified floating rates or at a qualified inverse floating rate and, in addition, at a single fixed rate, replace the fixed rate with a qualified floating rate (or qualified inverse floating rate) such that the fair market value of the Note, so modified, as of the issue date would be approximately the same as the fair market value of the unmodified Note.

Second, determine the fixed rate substitute for each variable rate provided by the Note. The fixed rate substitute for each qualified floating rate provided by the Note is the value of that qualified floating rate on the issue date. If the Note provides for two or more qualified floating rates with different intervals between interest adjustment dates (for example, the 30-day Commercial Paper Rate and quarterly LIBOR), the fixed rate substitutes are based on intervals that are equal in length (for example, the 90-day Commercial Paper Rate and quarterly LIBOR, or the 30-day Commercial Paper Rate and monthly LIBOR). The fixed rate substitute for an objective rate that is a qualified inverse floating rate is the value of the qualified inverse floating rate on the issue date. The fixed rate substitute for an objective rate (other than a qualified inverse floating rate) is a fixed rate that reflects the yield that is reasonably expected for the Note.

Third, construct an equivalent fixed rate debt instrument that has terms that are identical to those provided under the Note, except that the equivalent fixed rate debt instrument provides for the fixed rate

substitutes determined in the second step, in lieu of the qualified floating rates or objective rate provided by the Note.

Fourth, determine the amount of qualified stated interest and OID for the equivalent fixed rate debt instrument under the rules (described above) for Fixed Rate Notes. These amounts are taken into account as if the United States Holder held the equivalent fixed rate debt instrument. See "Taxation of Interest" and "Original Issue Discount--FIXED RATE NOTES," above.

Fifth, make appropriate adjustments for the actual values of the variable rates. In this step, qualified stated interest or OID allocable to an accrual period is increased (or decreased) if the interest actually accrued or paid during the accrual period exceeds (or is less than) the interest assumed to be accrued or paid during the accrual period under the equivalent fixed rate debt instrument.

FLOATING RATE NOTES THAT ARE NOT VRDIS

The tax treatment of Floating Rate Notes that are not VRDIs ("Contingent Notes") is as follows. First, the Company is required to determine, as of the issue date, the comparable yield for the Contingent Note. The comparable yield is generally the yield at which the Company would issue a fixed rate debt instrument with terms and conditions similar to those of the Contingent Note (including the level of subordination, term, timing of payments and general market conditions, but not taking into consideration the riskiness of the contingencies or the liquidity of the Contingent Note), but not less than the applicable federal rate (the "AFR"), announced monthly by the IRS, based on the overall maturity of the Contingent Note. In certain cases where Contingent Notes are marketed or sold in substantial part to tax-exempt investors or other investors for whom the prescribed inclusion of interest is not expected to have a substantial effect on their U.S. tax liability, the comparable yield for the Contingent Note, without proper evidence to the contrary, is presumed to be the AFR.

Second, solely for tax purposes, the Company constructs a projected schedule of payments determined under the OID Regulations for the Contingent Note (the "Schedule"). The Schedule is determined as of the issue date and generally remains in place throughout the term of the Contingent Note. If a right to a contingent payment is based on market information, the amount of the projected payment is the forward price of the contingent payment. If a contingent payment is not based on market information, the amount of the projected payment is the expected value of the contingent payment as of the issue date. The Schedule must produce the comparable yield determined as set forth above. Otherwise, the Schedule must be adjusted under the rules set forth in the OID Regulations.

Third, under the usual rules applicable to OID and based on the Schedule, the interest income on the Contingent Note for each accrual period is determined by multiplying the comparable yield of the Contingent Note (adjusted for the length of the accrual period) by the Contingent Note's adjusted issue price at the beginning of the accrual period (determined under rules set forth in the OID Regulations). The amount so determined is then allocated on a ratable basis to each day in the accrual period that the United States Holder held the Contingent Note.

Fourth, appropriate adjustments are made to the interest income determined under the foregoing rules to account for any differences between the Schedule and actual contingent payments. Under the rules set forth in the OID Regulations, differences between the actual amounts of any contingent payments made in a calendar year and the projected amounts of such payments are generally aggregated and taken into account, in the case of a positive difference, as additional interest income, or, in the case of a negative difference, first as a reduction in interest income for such year and thereafter, subject to certain limitations, as ordinary loss.

The Company is required to provide each holder of a Contingent Note with the Schedule described above. If the Company does not create a Schedule or the Schedule is unreasonable, a United States Holder must set its own projected payment schedule and explicitly disclose the use of such schedule and the reason

therefor. Unless otherwise prescribed by the IRS, the United States Holder must make such disclosure on a statement attached to the United States Holder's

timely filed federal income tax return for the taxable year in which the Contingent Note was acquired, in which case the market discount will be considered to be zero.

Prospective holders of Contingent Notes should carefully examine the applicable Pricing Supplement and should consult their tax advisors regarding the federal income tax consequences of the ownership and disposition of such Notes. See also the discussion regarding Contingent Notes under "Sale, Exchange or Retirement of the Notes" below.

OTHER RULES

Certain Notes having OID may be redeemed prior to maturity or may be repayable at the option of the holder. Such Notes may be subject to rules that differ from the general rules discussed above relating to the tax treatment of OID. Purchasers of such Notes with a redemption feature should consult their tax advisors with respect to such feature since the tax consequences with respect to OID will depend, in part, on the particular terms and the particular features of the purchased Note.

The Treasury Regulations relating to the tax treatment of OID contain certain language ("aggregation rules") stating in general that, with some exceptions, if more than one type of Note is issued in connection with the same transaction or related transactions, such Notes may be treated as a single debt instrument with a single issue price, maturity date, yield to maturity and stated redemption price at maturity for purposes of calculating and accruing any OID. Unless otherwise provided in the applicable Prospectus Supplement, the Company does not expect to treat different types of Notes as being subject to the aggregation rules for purposes of computing OID.

MARKET DISCOUNT

If a United States Holder acquires a Note having a maturity date of more than one year from the date of its issuance and has a tax basis in the Note that is, in the case of a Note that does not have OID, less than its stated redemption price at maturity, or, in the case of a Note that has OID, less than its adjusted issue price (as defined above under "Original Issue Discount--Fixed Rate Notes"), the amount of such difference is treated as "market discount" for federal income tax purposes, unless such difference is less than 1/4 of one percent of the stated redemption price at maturity multiplied by the number of complete years to maturity (from the date of acquisition).

Under the market discount rules of the Code, a United States Holder is required to treat any principal payment (or, in the case of a Note that has OID, any payment that does not constitute a payment of qualified stated interest) on, or any gain on the sale, exchange, retirement or other disposition of, a Note as ordinary income to the extent of the accrued market discount that has not previously been included in income under the election described in the following paragraph. Thus, partial principal payments are treated as ordinary income to the extent of accrued market discount that has not previously been included in income. If such Note is disposed of by the United States Holder in certain otherwise nontaxable transactions, accrued market discount will be includible as ordinary income by the United States Holder as if such Holder had sold the Note at its then fair market value.

With respect to Notes with market discount, a United States Holder may not be allowed to deduct immediately a portion of the interest expense on any indebtedness incurred or continued to purchase or to carry such Notes. A United States Holder may elect to include market discount in income currently as it accrues, in which case the interest deferral rule set forth in the preceding sentence will not apply. Such an election will apply to all debt instruments acquired by the United States Holder on or after the first day of the first taxable year to which such election applies and is irrevocable without the consent of the IRS. A United States Holder's tax basis in a Note will be increased by the amount of market discount included in such Holder's income under such an election.

In general, the amount of market discount that has accrued is determined on a ratable basis. A United States Holder may, however, elect to determine the amount of accrued market discount on a constant yield to maturity basis. This election is made on a Note-by-Note basis and is irrevocable.

The application of the foregoing rules may be different in the case of Contingent Notes. Accordingly, prospective purchasers of Contingent Notes should consult with their tax advisors with respect to the application of such rules to such Notes.

PREMIUM AND ACQUISITION PREMIUM

If a United States Holder purchases a Note for an amount in excess of the sum of all amounts payable on the Note after the date of acquisition (other than payments of qualified stated interest), such Holder will be considered to have purchased such Note with "amortizable bond premium" equal in amount to such excess, and generally will not be required to include any OID in income. Generally, a United States Holder may elect to amortize such premium as an offset to qualified stated interest income, using a constant yield method similar to that described above (SEE "--Original Issue Discount Notes"), over the remaining term of the Note (where such Note is not redeemable prior to its maturity date). In the case of Notes that may be redeemed prior to maturity, the premium is calculated assuming that the Company or the United States Holder will exercise or not exercise its redemption rights in a manner that maximizes the United States Holder's yield. A United States Holder who elects to amortize bond premium must reduce such Holder's tax basis in the Note by the amount of the premium used to offset qualified stated interest income as set forth above. An election to amortize bond premium applies to all taxable debt obligations then owned and thereafter acquired by such Holder and may be revoked only with the consent of the IRS.

If a United States Holder purchases a Note issued with OID at an "acquisition premium," the amount of OID that the United States Holder includes in gross income is reduced to reflect the acquisition premium. A Note is purchased at an acquisition premium if its adjusted tax basis, immediately after its purchase, is (a) less than or equal to the sum of all amounts payable on the Note after the purchase date other than payments of qualified stated interest and (b) greater than the Note's "adjusted issue price" (as described above under "Original Issue Discount--FIXED RATE NOTES").

If a Note is purchased at an acquisition premium, the United States Holder reduces the amount of OID otherwise includible in income during an accrual period by an amount equal to (i) the amount of OID otherwise includible in income multiplied by (ii) a fraction, the numerator of which is the excess of the adjusted tax basis of the Note immediately after its acquisition by the purchaser over the adjusted issue price of the Note and the denominator of which is the excess of the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, over the Note's adjusted issue price.

As an alternative to reducing the amount of OID otherwise includible in income by this fraction, the United States Holder may elect to compute OID accruals by treating the purchase as a purchase at original issuance and applying the constant yield method described above.

The application of the foregoing rules may be different in the case of Contingent Notes. Accordingly, prospective purchasers of Contingent Notes should consult with their tax advisors with respect to the application of such rules to such Notes.

SHORT-TERM NOTES

In the case of a Short-Term Note, no interest is treated as qualified stated interest, and therefore all interest is included in OID. United States Holders that report income for federal income tax purposes on an accrual method and certain other United States Holders, including banks and dealers in securities, are required to include OID in income on such Short-Term Notes on a straight-line basis, unless an election is made to accrue the OID according to a constant yield method based on daily compounding.

Any other United States Holder of a Short-Term Note is not required to accrue OID for federal income tax purposes (unless it elects to do so) with the consequence that the reporting of such income is deferred until it is received. In the case of a United States Holder that is not required, and does not elect, to include OID in income currently, any gain realized on the sale, exchange or retirement of a Short-Term Note is ordinary income to the extent of the OID accrued on a straight-line basis (or, if elected, according to a constant yield method based on daily compounding) through the date of sale, exchange or retirement. In addition, United States Holders that are not required, and do not elect, to include OID in income currently are required to defer deductions for any interest paid on indebtedness incurred or continued to purchase or carry a Short-Term Note in an amount not exceeding the deferred interest income with respect to such Short-Term Note (which includes both the accrued OID and accrued interest that are payable but that have not been included in gross income), until such deferred interest income is realized. A United States Holder of a Short-Term Note may elect to apply the foregoing rules (except for the rule characterizing gain on sale, exchange or retirement as ordinary) with respect to

"acquisition discount" rather than OID. Acquisition discount is the excess of the stated redemption price at maturity of the Short-Term Note over the United States Holder's tax basis in the Short-Term Note. This election applies to all obligations acquired by the taxpayer on or after the first day of the first taxable year to which such election applies, unless revoked with the consent of the IRS. A United States Holder's tax basis in a Short-Term Note is increased by the amount included in such Holder's income on such a Note.

ELECTION TO TREAT ALL INTEREST AS OID

United States Holders may elect to include in gross income all interest that accrues on a Note, including any stated interest, acquisition discount, OID, market discount, DE MINIMIS OID, de minimis market discount and unstated interest (as adjusted by amortizable bond premium and acquisition premium), by using the constant yield method described above under "Original Issue Discount." Such an election for a Note with amortizable bond premium will result in a deemed election to amortize bond premium for all debt instruments owned and later acquired by the United States Holder with amortizable bond premium and may be revoked only with the permission of the IRS. Similarly, such an election for a Note with market discount will result in a deemed election to accrue market discount in income currently for such Note and for all other debt instruments acquired by the United States Holder with market discount on or after the first day of the taxable year to which such election first applies, and may be revoked only with the permission of the IRS. A United States Holder's tax basis in a Note will be increased by each accrual of the amounts treated as OID under the constant yield election described in this paragraph.

EXTENDIBLE NOTES, RENEWABLE NOTES AND RESET NOTES

If so specified in an applicable Prospectus Supplement relating to a Note, the Company or a holder may have the option to extend the maturity of a Note (an "Extendible Note") or to renew such Note. See "Description of Notes--Extension of Maturity" and "Description of Notes--Renewable Notes." In addition, the Company may have the option to reset the interest rate, the Spread or the Spread Multiplier with respect to a Note. See "Description of Notes--Reset Notes." The treatment of a United States Holder of Notes to which such options apply will depend, in part, on the terms established for such Notes by the Company pursuant to the exercise of such option by the Company or a holder. Upon the exercise of any such option, the United States Holder of such Notes may be treated for federal income tax purposes as having exchanged such Notes (the "Old Notes") for new Notes with revised terms (the "New Notes"). If such holder is treated as having exchanged Old Notes for New Notes, such exchange may be treated as either a taxable exchange or a tax-free recapitalization.

Regulations under Section 1001 of the Code (the "Section 1001 Regulations") generally provide that the exercise of an option provided to an issuer or a holder to change a term of a debt instrument (such as the maturity or the interest rate) in a manner such as that contemplated for Extendible Notes, Renewable

Notes and Reset Notes will create a deemed exchange of Old Notes for New Notes if such exercise modifies such terms to a degree that is "economically significant." With respect to certain types of debt instruments, under the Section 1001 Regulations a deemed exchange for tax purposes occurs if the exercise of such an option alters the annual yield of the debt instrument by more than the greater of (i) 25 basis points or (ii) 5 percent of the annual yield of the debt instrument prior to modification. The exercise of an option that changes the timing of payments under a debt instrument creates a deemed exchange under the Section 1001 Regulations (whether or not the annual yield is altered) if there is a "material deferral" of scheduled payments. In this connection, the Section 1001 Regulations generally provide that a deferral of scheduled payments within a safe-harbor period which begins on the original due date for the first deferred payment and extends for a period not longer than the lesser of five years or 50 percent of the original term of the debt instrument will not be considered to be a material deferral.

If the exercise of the option by the Company or a holder is not treated as an exchange of Old Notes for New Notes, no gain or loss will be recognized by a United States Holder as a result thereof. If the exercise of the option is treated as a taxable exchange of Old Notes for New Notes, a United States Holder will recognize gain or loss generally equal to the difference between the issue price of the New Notes and such Holder's tax basis in the Old Notes. However, if the exercise of the option is treated as a tax-free recapitalization, no loss will be recognized by a United States Holder as a result thereof and gain, if any, will be recognized to the extent of the fair market value of the excess, if any, of the principal amount of securities received over the principal amount of securities surrendered. In this regard, the meaning of the term "principal

amount" is not clear. Such term could be interpreted to mean "issue price" with respect to securities that are received and "adjusted issue price" with respect to securities that are surrendered. Legislation to that effect has been introduced in the past. It is not possible to determine whether such legislation will be enacted in the future, and, if enacted, whether it would apply to a recapitalization occurring prior to the date of enactment.

The presence of such options may also affect the calculation of interest income and OID, among other things. For purposes of determining the yield and maturity of a Note, if the Company has an unconditional option or combination of options to require payments to be made on the Note under an alternative payment schedule or schedules (e.g., an option to extend or an option to call the Note at a fixed premium), it will be deemed to exercise or not exercise the option or combination of options in a manner that minimizes the yield on the Note. Conversely, a holder having such option or a combination of such options will be deemed to exercise or not exercise such option or combination of options in a manner that maximizes the yield on such Note. If both the Company and the holder have options, the foregoing rules are applied to the options in the order that they may be exercised. Thus, the deemed exercise of one option may eliminate other options that are later in time. If the exercise of such option or options actually occurs or does not occur, contrary to what is deemed to occur pursuant to the foregoing rules, then, solely for purposes of the accrual of OID, the yield and maturity of the Note are redetermined by treating the Note as having been retired and then reissued on the date of the occurrence or non-occurrence of the exercise for an amount equal to its adjusted issue price on that date. Depending on the terms of the options described above, the presence of such options may instead cause the Notes to be taxable as Contingent Notes under the OID Regulations. See "Original Issue Discount--FLOATING RATE NOTES THAT ARE NOT VRDIS."

THE FOREGOING DISCUSSION OF EXTENDIBLE NOTES, RENEWABLE NOTES AND RESET NOTES IS PROVIDED FOR GENERAL INFORMATION ONLY. ADDITIONAL TAX CONSIDERATIONS MAY ARISE FROM THE OWNERSHIP OF SUCH NOTES IN LIGHT OF THE PARTICULAR FEATURES OR COMBINATION OF FEATURES OF SUCH NOTES AND, ACCORDINGLY, PERSONS CONSIDERING THE PURCHASE OF SUCH NOTES ARE ADVISED AND EXPECTED TO CONSULT WITH THEIR OWN LEGAL AND TAX ADVISERS REGARDING THE TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF SUCH NOTES.

INTEGRATION OF NOTES WITH OTHER FINANCIAL INSTRUMENTS

Any United States Holder of Notes that also acquires or has acquired any financial instrument which, in combination with such Notes, would permit the calculation of a single yield to maturity or could generally constitute a VRDI of an equivalent term, may in certain circumstances treat such Notes and such financial instrument as an integrated debt instrument for purposes of the Code, with a single determination of issue price and the character and timing of income, deductions, gains and losses. (For purposes of determining OID, none of the payments under the integrated debt instrument will be treated as qualified stated interest.) Moreover, under the OID Regulations, the IRS may require in certain circumstances that a United States Holder who owns Notes integrate such Notes with a financial instrument held or acquired by such Holder or a related party. United States Holders should consult their tax advisors as to such possible integration.

SALE, EXCHANGE, REDEMPTION OR RETIREMENT OF NOTES

A United States Holder generally will recognize gain or loss upon the sale, exchange, redemption or retirement of a Note equal to the difference between the amount realized upon such sale, exchange, redemption or retirement and the United States Holder's adjusted tax basis in the Note. Such adjusted basis in the Note generally will equal the cost of the Note, increased by OID, acquisition discount or market discount previously included in respect thereof, and reduced (but not below zero) by any payments on the Note other than payments of qualified stated interest and by any premium that the United States Holder has taken into account. To the extent attributable to accrued but unpaid qualified stated interest, the amount realized by the United States Holder will be treated as a payment of interest, taxable as ordinary income. Generally, any gain or loss will be capital gain or loss if the Note was held as a capital asset, except as provided under "Market Discount" and "Short-Term Notes". The maximum tax rate for non-corporate taxpayers on adjusted net capital gain is 20%. Adjusted net capital gain is generally the excess of net long-term capital gain (the net gain on capital assets held for more than 12 months) over net short-term capital loss (the net loss on capital assets held for 12 months or less). Net short-term capital gain (net gain on assets held for 12 months or less) is subject to tax at the same rates as ordinary income. Capital losses are deductible by non-corporate taxpayers only to the extent of capital gains for the taxable year plus $3,000. Capital gains are subject to tax at the same rates

as ordinary income for corporate taxpayers. Capital losses of corporate taxpayers are deductible only against capital gains.

The sale, exchange, redemption or retirement of a Contingent Note may be subject to special rules different than those described in the preceding paragraph and under which, except in certain circumstances, gain or loss on the sale, exchange or retirement will be ordinary income or loss. United States Holders of Contingent Notes should consult their tax advisors regarding the application of these rules to their particular situations.

NON-UNITED STATES HOLDERS

Under current United States federal income tax law, and subject to the discussion of backup withholding in the following section, payments of principal and interest (including OID) with respect to a Note by the Company or by any paying agent to any beneficial owner of a Note that is not a United States Holder (hereinafter, a Non-United States Holder) will not be subject to the withholding of United States federal income tax, provided, in the case of interest (including OID), that (i) such Holder does not actually or constructively (under the applicable attribution rules of the Code) own 10% or more of the total combined voting power of all classes of stock of the Company entitled to vote, (ii) such Holder is not for federal income tax purposes a controlled foreign corporation related, directly or indirectly, to the Company through stock ownership, (iii) such Holder is not a bank receiving interest described in Section 881(c)(3)(A) of the Code and (iv) either (A) the beneficial owner of the Note certifies, under penalties of perjury, to the Company or paying agent, as the case may be, that such Holder is a Non-United States Holder and provides such Holder's name and address, or (B) a securities clearing organization, bank or

other financial institution that holds customers' securities in the ordinary course of its trade or business (a "financial institution") and holds the Note, certifies, under penalties of perjury, to the Company or paying agent, as the case may be, that such certificate has been received from the beneficial owner by it or by a financial institution between it and the beneficial owner and furnishes the payor with a copy thereof. A certificate described in this paragraph is effective only with respect to payments of interest (including OID) made to the certifying Non-United States Holder after the issuance of the certificate in the calendar year of its issuance and the two immediately succeeding calendar years. Under temporary Treasury Regulations, the foregoing certification may be provided by the beneficial owner of a Note on IRS Form W-8.

On October 14, 1997, the IRS published in the Federal Register final regulations (the "1997 Final Regulations") which affect the United States taxation of Non-United States Holders. The 1997 Final Regulations are currently expected to become effective for payments after December 31, 1999, regardless of the issue date of the instrument with respect to which such payments are made, subject to certain transition rules (see below). The discussion under this heading and under "Backup Withholding and Information Reporting," below, is not intended to be a complete discussion of the provisions of the 1997 Final Regulations, and prospective purchasers of the Notes are urged to consult their tax advisors concerning the tax consequences of their acquiring, holding and disposing of the Notes in light of the 1997 Final Regulations.

The 1997 Final Regulations provide documentation procedures designed to simplify compliance by withholding agents. The 1997 Final Regulations generally do not affect the documentation rules described above, but add other certification options. Under one such option, a withholding agent will be allowed to rely on an intermediary withholding certificate furnished by a "qualified intermediary" (as defined below) on behalf of one or more beneficial owners (or other intermediaries) without having to obtain the beneficial owner certificate described above. "Qualified intermediaries" include: (i) foreign financial institutions or foreign clearing organizations (other than a United States branch or United States office of such institution or organization) or (ii) foreign branches or offices of United States financial institutions or foreign branches or offices of United States clearing organizations, which, as to both (i) and (ii), have entered into withholding agreements with the IRS. In addition to certain other requirements, qualified intermediaries must obtain withholding certificates, such as revised IRS Form W-8 (see below), from each beneficial owner. Under another option, an authorized foreign agent of a United States withholding agent will be permitted to act on behalf of the United States withholding agent, provided certain conditions are met.

For purposes of the certification requirements, the 1997 Final Regulations generally treat, as the beneficial owners of payments on a Note, those persons that, under general United States federal income tax principles, are the actual taxpayers with respect to such payments, rather than persons such as nominees or

agents legally entitled to such payments. In the case of payments to an entity classified as a foreign partnership under United States federal income tax principles, the partners, rather than the partnership, generally will be required to provide the required certifications to qualify for the withholding exemption described above. A payment to a United States partnership, however, is treated for these purposes as payment to a United States payee, even if the partnership has one or more foreign partners. The 1997 Final Regulations provide certain presumptions with respect to withholding for holders not furnishing the required certifications to qualify for the withholding exemption described above. In addition, the 1997 Final Regulations will replace a number of current tax certification forms (including IRS Form W-8 and IRS Form 4224, discussed below) with a single, revised IRS Form W-8 (which, in certain circumstances, requires information in addition to that previously required). Under the 1997 Final Regulations, this Form W-8 will remain valid until the last day of the third calendar year following the year in which the certificate is signed.

The 1997 Final Regulations provide transition rules concerning existing certificates, such as IRS Form W-8 and IRS Form 4224. Valid withholding certificates that are held on December 31, 1998 will generally remain valid until the earlier of December 31, 1999 or the date of expiration of the certificate under the

law in effect prior to January 1, 1999. Further, certificates dated prior to January 1, 1998 will generally remain valid until the end of 1998, irrespective of the date that their validity expires during 1998. The IRS has announced that the 1997 Final Regulations will be amended to provide that valid withholding certificates that are held on December 31, 1999, will generally remain valid until the earlier of December 31, 2000, or the expiration of the certificate under the law in effect prior to January 1, 2000.

Notwithstanding the foregoing, interest described in Section 871(h)(4) of the Code will be subject to United States withholding tax at a 30% rate (or such lower rate as may be provided by an applicable income tax treaty). In general, interest described in Section 871(h)(4) of the Code includes (subject to certain exceptions) any interest the amount of which is determined by reference to receipts, sales or other cash flow of the issuer or a related person, any income or profits of the issuer or a related person, any change in the value of any property of the issuer or a related person or any dividends, partnership distribution or similar payments made by the issuer or a related person. Interest described in Section 871(h)(4) of the Code may include other types of contingent interest identified by the IRS in future Treasury Regulations.

If a Non-United States Holder is engaged in a trade or business in the United States and interest (including OID) on the Note is effectively connected with the conduct of such trade or business, the Non-United States Holder, although exempt from the withholding tax discussed above, will be subject to United States federal income tax on such interest (including OID) in the same manner as if it were a United States Holder. In lieu of the certificate described above, such Holder will be required to provide a properly executed IRS Form 4224 in order to claim an exemption from withholding tax. In addition, if such Holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (or such lower rate as may be specified by an applicable income tax treaty) of its effectively connected earnings and profits for the taxable year, subject to various adjustments. For this purpose, interest (including OID) and gain (see below) on a Note will be included in the earnings and profits of such Holder if such interest (including OID) is effectively connected with the conduct by such Holder of a trade or business in the United States.

Generally, any gain or income (other than that attributable to accrued interest or OID) realized upon the sale, exchange, redemption, retirement or other disposition of a Note will not be subject to United States federal income tax unless (i) such gain or income is effectively connected with a trade or business in the United States of the Non-United States Holder or (ii) in the case of a Non-United States Holder who is a nonresident alien individual, the Non-United States Holder is present in the United States for periods aggregating 183 days or more in the taxable year of such sale, exchange, retirement or other disposition and either (a) such individual has a "tax home" (as defined in Section 911(d)(3) of the Code) in the United States and certain other requirements are met or (b) the gain is attributable to an office or other fixed place of business maintained by such individual in the United States.

Under the 1997 Final Regulations, withholding of United States federal income tax with respect to accrued OID may apply to payments on a taxable sale or other disposition of a Note by a Non-United States Holder who does not provide appropriate certification to the withholding agent with respect to such transaction.

BACKUP WITHHOLDING AND INFORMATION REPORTING

Under current United States federal income tax law, information reporting requirements apply to interest (including OID) and principal payments made to, and to the proceeds of sales before maturity by, certain non-corporate United States Holders with respect to Notes. In addition, a 31% backup withholding tax will apply if (i) the non-corporate United States Holder fails to furnish such holder's Taxpayer Identification Number ("TIN") (which, for an individual, would be his or her Social Security Number) to the payor in the manner required, (ii) the non-corporate United States Holder furnishes an incorrect TIN and the payor is so notified by the IRS, (iii) the payor is notified by the IRS that the non-corporate United States Holder has failed properly to report payments of interest and dividends or (iv) in certain

circumstances, the non-corporate United States Holder fails to certify, under penalties of perjury, that it has not been notified by the IRS that it is subject to backup withholding for failure properly to report interest and dividend payments. Backup withholding will not apply with respect to payments made to certain exempt recipients, including corporations, tax-exempt organizations, qualified pension and profit-sharing trusts and individual retirement accounts, provided that they establish entitlement to an exemption.

In the case of a Non-United States Holder, under current Treasury Regulations, backup withholding and information reporting will not apply to payments of principal, premium and interest (including OID) made by the Company or any paying agent thereof on a Note with respect to which such holder has provided the required certification under penalties of perjury that it is a Non-United States Holder or has otherwise established an exemption.

Under current Treasury Regulations, (i) principal or interest payments (including OID) on a Note collected outside the United States by a foreign office of a custodian, nominee or other agent acting on behalf of a beneficial owner of a Note and (ii) payments on the sale, exchange, redemption, retirement or other disposition of a Note to or through a foreign office of a broker are generally not subject to backup withholding or information reporting. However, if such custodian, nominee, agent or broker is a United States person, a controlled foreign corporation for United States federal income tax purposes, or a foreign person 50% or more of whose gross income is effectively connected with the conduct of a United States trade or business for a specified three-year period, such custodian, nominee, agent or broker may be subject to certain information reporting (but not backup withholding) requirements with respect to such payments unless such custodian, nominee, agent or broker has in its records documentary evidence that the beneficial owner is not a United States person and certain other conditions are met or the beneficial owner otherwise establishes an exemption.

In general, the 1997 Final Regulations do not significantly alter the substantive backup withholding and information reporting requirements described above. As under current law, backup withholding and information reporting will not apply to payments to a Non-United States Holder of principal, premium and interest (including OID) on a Note if such Non-United States Holder provides the required certification to establish an exemption from the withholding of United States federal income tax or otherwise establishes an exemption. Similarly, unless the payor has actual knowledge that the payee is a United States Holder, backup withholding will not apply to (i) payments of interest (including OID, if any) made outside the United States to certain offshore accounts and (ii) payments on the sale, exchange, redemption, retirement or other disposition of a Note effected outside the United States. However, information reporting (but not backup withholding) will apply to (i) payments of interest made by a payor outside the United States and (ii) payments on the sale, exchange, redemption, retirement or other disposition of a Note effected outside the United States if payment is made by a broker that is, for United States federal income tax purposes, (a) a United States person, (b) a controlled foreign corporation, (c) a United States branch of a foreign bank or foreign insurance company, (d) a foreign partnership controlled by United States persons or engaged in a United States trade or business or (e) a foreign person 50% or more of whose gross income is effectively connected with the conduct of a United States trade or business for a specified three-year period, unless such payor or broker has in its records documentary evidence that the beneficial owner is not a United States Holder and certain other conditions are met or the beneficial owner otherwise establishes an exemption.

Backup withholding tax is not an additional tax. Rather, any amounts withheld from a payment to a holder under the backup withholding rules will be allowed as a refund or a credit against such holder's United States federal income tax, provided that the required information is furnished to the IRS.

Holders should consult their tax advisors regarding the application of information reporting and backup withholding to their particular situations, the availability of an exemption therefrom, and the procedure for obtaining such an exemption, if available.

PLAN OF DISTRIBUTION

The Company may sell the Notes in and/or outside the United States: (i) through underwriters or dealers; (ii) directly to a limited number of purchasers or to a single purchaser; or (iii) through agents. The Prospectus Supplement with respect to the Notes being offered (the "Offered Notes") will set forth the terms of the offering of the Offered Notes, including the name or names of any underwriters or agents, the purchase price of the Offered Notes and the proceeds to the Company from such sale, any underwriting discounts and other items constituting underwriters' compensation, any initial public offering price and any discounts or concessions allowed or reallowed or paid to dealers. Any initial public offering price and any discounts or concessions allowed or reallowed or paid to dealers may be changed from time to time.

If underwriters are used in the sale, the Offered Notes will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The Notes may be offered to the public either through underwriting syndicates represented by one or more managing underwriters or directly by one or more underwriters. The underwriter or underwriters with respect to a particular underwritten offering of Notes, or, if an underwriting syndicate is used, the managing underwriter or underwriters, will be set forth on the cover of the applicable Prospectus Supplement. Unless otherwise set forth in the Prospectus Supplement relating thereto, the obligations of the underwriters to purchase the Offered Notes will be subject to conditions precedent and the underwriters will be obligated to purchase all of the Offered Notes if any are purchased.

If dealers are utilized in the sale of Offered Notes in respect of which this Prospectus is delivered, and if so specified in the applicable Prospectus Supplement, the Company will sell such Offered Notes to the dealers as principals. The dealers may then resell such Offered Notes to the public at varying prices to be determined by such dealers at the time of resale. The names of the dealers and the terms of the transaction will be set forth in the applicable Prospectus Supplement.

The Notes may be sold directly by the Company or through agents designated by the Company from time to time. Any agent involved in the offer or sale of the Offered Notes in respect to 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.

Underwriters, dealers and agents may be entitled under agreements entered into with the Company to indemnification by the Company against certain civil liabilities, including liabilities under the Securities Act, or to contribution with respect to payments which the underwriters, dealers or agents may be required to make in respect thereof. Underwriters, dealers and agents may be customers of, may engage in transactions with, or perform services for, the Company in the ordinary course of business.

LEGAL MATTERS

Legal matters with respect to the Notes will be passed upon for the Company by Stafford, Rosenbaum, Rieser & Hansen, Madison, Wisconsin, and by Sidley & Austin, Chicago, Illinois, and for any underwriters, dealers, purchasers or agents by Jones, Day, Reavis & Pogue, Chicago, Illinois. The Company is advised that as of July 21, 1998, an attorney at the firm of Stafford, Rosenbaum, Rieser & Hansen, who has participated in the preparation of this Prospectus and the Registration Statement, and who will participate in the rendition of the firm's opinions with respect to the Notes and Bonds, owned beneficially 6,525 shares of the Company's common stock.

EXPERTS

The consolidated financial statements and financial statement schedules of the Company and its subsidiaries included (or incorporated by reference) in the Company's Annual Report on Form 10-K for the year ended December 31, 1997, incorporated by reference herein, have been audited by Coopers & Lybrand L.L.P., independent accountants, as indicated in their report with respect thereto, and are so incorporated by reference herein in reliance upon the authority of said firm as experts in accounting and auditing matters.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS, OTHER THAN THOSE CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS OR ANY ACCOMPANYING PRICING SUPPLEMENT OR PROSPECTUS SUPPLEMENT AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR ANY UNDERWRITERS OR AGENTS. THIS PROSPECTUS OR ANY ACCOMPANYING PRICING SUPPLEMENT OR PROSPECTUS SUPPLEMENT DO NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THE SECURITIES DESCRIBED IN THIS PROSPECTUS OR ANY ACCOMPANYING PRICING SUPPLEMENT OR PROSPECTUS SUPPLEMENT OR AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY SUCH SECURITIES IN ANY CIRCUMSTANCES IN WHICH SUCH OFFER OR SOLICITATION IS UNLAWFUL. NEITHER THE DELIVERY OF THIS PROSPECTUS OR ANY ACCOMPANYING PRICING SUPPLEMENT OR PROSPECTUS SUPPLEMENT, NOR ANY SALE MADE HEREUNDER OR THEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF MADISON GAS AND ELECTRIC COMPANY SINCE THE DATE HEREOF OR THAT THE INFORMATION HEREIN OR THEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE OF SUCH INFORMATION.

TABLE OF CONTENTS

<TABLE>
<CAPTION>

</TABLE>

MADISON GAS AND
ELECTRIC COMPANY

MEDIUM-TERM NOTES
DUE FROM NINE MONTHS TO 30
YEARS FROM DATE OF ISSUE

PROSPECTUS

, 1998

SUBJECT TO COMPLETION, DATED JULY 22, 1998

INFORMATION CONTAINED HEREIN 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 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.

PROSPECTUS

MADISON GAS AND ELECTRIC COMPANY
INVESTORS PLUS PLAN

COMMON STOCK $1 PAR VALUE

Madison Gas and Electric Company (the "Company") hereby offers participation in its Investors Plus Plan (the "Plan") which amends and restates in its entirety the Madison Gas and Electric Company Automatic Dividend Reinvestment and Stock Purchase Plan. The Plan is designed to provide investors with a convenient way to purchase shares of the Company's Common Stock, $1 par value ("Common Stock"), and to reinvest all or a portion of the cash dividends paid in Common Stock. Prospectus Supplements to this Prospectus will set forth the number of shares of Common Stock being offered hereunder from time to time. The aggregate price paid for shares of Common Stock offered under this Prospectus and the initial public offering price of Medium-Term Notes and shares of Common Stock offered by separate prospectuses under the registration statement referred to below of which this Prospectus is a part, will not exceed $65,000,000.

Participants in the Plan may:

- Make a direct Initial Investment in Common Stock with a cash payment of no less than $50 and no more than $25,000 per account.

- Increase their investment in Common Stock by making Optional Cash Payments of no less than $25 per payment and no more than $25,000 for each calendar quarter per account.

- Reinvest all or a portion of cash dividends paid on Common Stock registered in their names or on Common Stock credited to their Plan accounts in additional shares of Common Stock.

- Receive cash dividends on any or all shares of Common Stock by check or electronic deposit to a designated account.

- Receive, upon written request, certificates for whole shares of Common Stock credited to their Plan account.

- Sell Common Stock credited to their Plan account through the Plan.

- Deposit certificates representing shares of Common Stock into the Plan for safekeeping.

Shares acquired under the Plan will be either shares purchased on the open market by an independent agent (the "Agent") selected by the Company, newly issued shares, or treasury shares. The purchase price of shares purchased on the open market will be the weighted average purchase price, including normal brokerage commissions, carried to four decimal places, of shares acquired on the open market by the Agent. The purchase price of newly issued shares or treasury shares will be the average of the quoted closing prices, carried to four decimal places, for the Common Stock as reported on the Nasdaq National Market for the period of five trading days ending on the Dividend Date or Investment Date (each as defined herein). The sale price to participants of shares sold through the Plan will be the market price, including normal brokerage commissions, carried to four decimal places, of shares purchased by the Agent. The Company will pay all costs of administration of the Plan, excluding normal brokerage commissions.

The Common Stock is quoted on the Nasdaq National Market under the symbol "MDSN."

Shares of Common Stock offered under the Plan are offered through a registered broker-dealer selected by the Company.

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 SUCH 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 , 1998.

AVAILABLE INFORMATION

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 Securities and Exchange Commission (the "Commission"). The Company has filed with the Commission a registration statement on Form S-3 (the "Registration

Statement") under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the shares of Common Stock offered hereby and certain other securities. This Prospectus does not contain all information set forth in the Registration Statement and reference is hereby made to the Registration Statement and the exhibits thereto for further information with respect to the Company and the shares of Common Stock offered hereby. Such reports, proxy statements, Registration Statement and exhibits and other information can be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at its Northeast Regional Office located at 7 World Trade Center, Suite 1300, New York, New York 10048 and Midwest Regional Office located at Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Copies of such material can be obtained at prescribed rates from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. The Company is subject to the electronic filing requirements of the Commission. Accordingly, pursuant to the rules and regulations of the Commission, certain documents, including annual and quarterly reports and proxy statements, filed by the Company with the Commission have been and will be filed electronically. The Commission maintains a World Wide Web site that contains reports, proxy and information statements and other information regarding registrants (including the Company) that file electronically with the Commission at http://www.sec.gov.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The Annual Report of the Company on Form 10-K, as amended, for the year ended December 31, 1997 and the Quarterly Report of the Company on Form 10-Q for the quarter ended March 31, 1998 are incorporated by reference into this Prospectus. All documents filed by the Company pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this Prospectus and prior to the termination of the offering of the shares of Common Stock contemplated hereby shall be deemed to be incorporated by reference into this Prospectus and to be made a part hereof from the respective dates of filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference in this Prospectus shall be deemed to be modified or superseded for purposes of the Registration Statement and this Prospectus to the extent that a statement contained in this Prospectus, in the applicable Prospectus Supplement or in any subsequently filed document which also is or is deemed to be incorporated by reference in this Prospectus modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of the Registration Statement or this Prospectus.

The Company will provide without charge to each person, including any beneficial owner, to whom a copy of this Prospectus is delivered, upon written or oral request of such person, a copy of any or all of the documents referred to above which have been incorporated in this Prospectus by reference, other than certain exhibits to such documents. Such requests should be directed to Terry A. Hansen, Vice President-- Finance, Madison Gas and electric Company, Post Office Box 1231, Madison, Wisconsin 53701-1231 (Telephone: (608) 252-7923).

THE COMPANY

The Company, a Wisconsin corporation organized as such in 1896, is a public utility located in Madison, Wisconsin. It is engaged in generating and transmitting electric energy and distributing it to approximately 117,000 customers throughout 250 square miles in Dane County. The Company also distributes and transports natural gas to approximately 97,000 customers throughout 975 square miles in Dane, Columbia, Iowa, Juneau, Monroe and Vernon counties. The principal executive offices of the Company are located at 133 South Blair Street, Post Office Box 1231, Madison, Wisconsin 53701-1231, and its telephone number is (608) 252-7000.

DESCRIPTION OF THE PLAN

PURPOSE

1. What is the purpose of the Plan?

The purpose of the Plan is to provide participants a simple and convenient method of purchasing shares of the Company's Common Stock with Initial Investments, dividends, and Optional Cash Payments. If such shares are purchased from the authorized but unissued shares of the Company or from the Company's treasury, the Company will receive additional funds which will be used for general corporate purposes.

ADVANTAGES AND DISADVANTAGES

2. What are the advantages of the Plan?

- Persons and entities not presently owning shares of Common Stock may become shareholders by making an initial direct investment of no less than $50 and no more than $25,000 per account ("Initial Investment") (see Question 15).

- Additional investments in Common Stock ("Optional Cash Payment") may be made by participants for as little as $25 per payment, up to $25,000 per calendar quarter per account (see Question 15).

- All or a portion of Common Stock dividends may be automatically reinvested in additional shares of Common Stock (see Question 9).

- Full investment of funds is possible under the Plan because the Plan permits fractional shares to be credited to participants' accounts.

- Company employees who participate in the Plan may arrange for Optional Cash Payments to be made through payroll deductions (see Question 15).

- Shares purchased are credited to an account in the participant's name, and a statement is furnished following each transaction, thereby providing a simplified method of recordkeeping (see Questions 9 and 17).

- Participants may deposit Common Stock certificates into their Plan accounts for safekeeping, whether or not the Common Stock represented by such certificates was purchased through the Plan. This convenience is provided at no cost to the participant and eliminates the possibility of loss, inadvertent destruction, or theft of certificates (see Question 23).

- Participants may transfer shares held in their Plan account to another individual or entity at no cost. The normal transfer requirements will apply.

- Participants may receive cash dividends on any or all shares of Common Stock by check or electronic deposit to a designated account (see Questions 9 and 20).

3. What are the disadvantages of the Plan?

- Participants have no control over the price at which shares are purchased or sold through the Plan or the timing of such purchases or sales. A participant bears the market risk associated with fluctuations in the price of the Common Stock pending the execution of a purchase or sale of shares for the participant's account (see Question 25).

- No interest is paid on funds pending investment (see Question 14).

- Requests for issuance of certificates or the sale of shares from a Plan account (withdrawals) may be delayed during the dividend processing period. Requests for other changes in Plan participation may also be delayed during this period (see Question 25).

COSTS

4. Are there any expenses to participants under the Plan?

When shares of Common Stock purchased under the Plan are newly issued or treasury shares, rather than shares purchased on the open market, there are no expenses to participants because shares are purchased from the Company and no brokerage commission is incurred. When shares of Common Stock are purchased on the open market under the Plan, the price per share paid by the participant includes normal brokerage commissions incurred to acquire the shares. Because purchases are consolidated, a participant's proportionate share of brokerage commissions resulting from open market purchases should be lower than the commissions for individual purchases. Shares sold through the Plan will incur normal brokerage commissions (see Question 25).

The Company will pay all costs of administration of the Plan, excluding normal brokerage commissions incurred to purchase shares on the open market or to sell shares. Participants will receive advance notice if the Company determines not to pay all administrative costs.

ADMINISTRATION

5. How will the Plan be administered?

The Company administers the Plan, performing only clerical and ministerial functions such as keeping a continuing record of participants' accounts, advising them of purchases and other transactions, and performing other duties relating to the Plan. The Company believes that its serving as administrator rather than a registered broker-dealer or a federally insured banking institution poses no material risks to participants because of the administrative nature of the functions the Company will perform. In addition, Initial Investments and Optional Cash Investments will be transmitted promptly to a segregated escrow account at a bank (the "Escrow Account") or to the Agent and will not be subject to any liens or claims of any creditors of the Company. Purchases of Common Stock for the accounts of participants will be registered in the name of the Plan Nominee (a Bank) as custodian for participants in the Plan (the "Nominee").

PARTICIPATION

6. Who is eligible to participate?

Any interested person or entity making an Initial Investment of at least $50 and all registered shareholders are eligible to participate. Beneficial owners of Common Stock registered in others' names, such as brokers or bank trustees and nominees, who want to participate by reinvesting dividends paid on these shares may be required by their brokers or banks to withdraw their shares from the beneficial accounts and register the shares in their own names.

7. How do eligible investors participate?

After receiving a Prospectus, investors may join the Plan by signing an Enrollment Form and returning it to Madison Gas and Electric Company, Shareholder Services Department, Post Office Box 1231, Madison, WI 53701-1231. Enrollment Forms may be obtained at any time by written request to the Company or by telephoning the Company at the appropriate toll-free number listed on page 15 of this Prospectus (see Question 9). Investors making first-time purchases of Common Stock must submit the Enrollment Form with the Initial Investment to purchase Common Stock or arrange for the Initial Investment to be made through a payroll deduction (see Questions 14 and 15). A person who is a current owner of Common Stock must sign an Enrollment Form exactly as such person's name appears on his or her Common Stock certificate. If the Common Stock is registered to more than one person, each person must sign the Enrollment Form. A person or persons who are making an Initial Investment must specify exactly how the shares to be purchased are to be registered and sign their names accordingly.

Shareholders who are already enrolled in the Plan are eligible to participate in the new features of the Plan. Such shareholders should carefully review the participation options, particularly the "No Reinvestment" and "Partial Reinvestment" options. These options have been modified in the Plan (see Question 9). Unless such a shareholder submits a new Enrollment Form designating a different participation option, each shareholder's current participation in the Plan will remain unchanged.

8. When may an eligible investor join the Plan?

Eligible investors may join the Plan at any time. Participation for reinvestment of dividends will commence with the next Common Stock cash dividend date (the "Dividend Date," currently on or about March 15, June 15, September 15, and December 15) after the Company receives, at least 15 days prior to the Dividend Date, a properly completed Enrollment Form. If the Enrollment Form is not received in time, participation through reinvestment of dividends will be delayed until the following Dividend Date.

Optional Cash Payments received by the Company prior to the close of business on the "Investment Date," defined as the 15th day of each month (or the next business day thereafter if the 15th day of the month is not a business day) and Initial Investments with a properly completed Enrollment Form received at least three business days prior to the Investment Date will be invested monthly on the Investment Date.

9. What does an Enrollment Form authorize?

An Enrollment Form authorizes the Company in its capacity as administrator of the Plan to enroll participants under the following dividend options:

- Full Dividend Reinvestment--Reinvest all dividends: dividends paid on shares held by the participant, dividends on shares held in the participant's Plan account, and any Initial Investment and Optional Cash Payments will be invested in Common Stock and credited to the participant's Plan account.

- Partial Dividend Reinvestment--Reinvest a portion of dividends: participants may request cash dividends on a designated percentage of shares held by the participant and held in the participant's Plan account, as indicated by the participant on the Enrollment Form. Dividends paid on remaining shares and any Optional Cash Payments will be invested in Common Stock and credited to the participant's Plan account.

- No Dividend Reinvestment--Pay all cash dividends: receive all cash dividends on shares held by the participant and in the participant's Plan account. Participants may purchase shares through the Plan with an Initial Investment and Optional Cash Payments.

The Enrollment Form also allows participants to take advantage of certificate safekeeping services (see Question 23).

If the Enrollment Form is incomplete upon receipt by the Company, the Company will return the Enrollment Form and any payment for stock purchase to the participant.

SOURCE OF SHARES AND USE OF PROCEEDS

10. What is the source of and use of proceeds from Common Stock purchased under the Plan?

Shares purchased under the Plan will be either shares purchased on the open market by the Agent, newly issued shares, or treasury shares. The Company will not change its determination regarding the source of shares more than once in any three-month period. The Company will not exercise its right to change the source of shares absent a determination by the Company's board of directors that the Company's need to raise additional capital has changed, or that there is another valid reason for such change.

Initially, shares purchased under the Plan will be shares purchased on the open market and the Company will not receive any additional funds from such purchases. In the event the Company determines that shares to be purchased under the Plan will be either newly issued or treasury shares, the Company will be required to request an order from the Public Service Commission of Wisconsin approving such purchases. If shares purchased under the Plan are newly issued or treasury shares, the Company will receive additional funds from such purchases to be used for general corporate purposes, including the financing of capital expenditures, the refinancing of indebtedness, and possible investments and acquisitions.

PURCHASES

11. How many shares of Common Stock will be purchased for participants?

The number of shares to be purchased depends on the amount of a participant's Initial Investment, Optional Cash Payment, dividend, or a combination thereof, and the price of the shares. Each participant's account will be credited with that number of shares, including fractions computed to four decimal places, equal to the total amount invested divided by the purchase price.

12. What will be the price of shares of Common Stock purchased under the Plan?

When shares are purchased on the open market, the price per share to participants will be the weighted average purchase price, including normal brokerage commissions, carried to four decimal places, of shares acquired on the open market by the Agent. Because purchases are consolidated, a participant's proportionate share of brokerage commissions resulting from open market purchases should be lower than the commissions for individual purchases. The Agent is a securities broker-dealer registered as such under the Exchange Act who is a market maker in the Common Stock and will purchase shares of Common Stock as Agent for the participants in the Plan. The purchases will be made in over-the-counter market purchases or negotiated transactions on terms determined by the Agent.

When shares are purchased from authorized but unissued shares of Common Stock or from the Company's treasury, the price per share of shares to participants will be the average of the quoted closing prices for the Common Stock as reported on the Nasdaq National Market for the period of five trading days ending on the Dividend Date or Investment Date (or the period of five trading days immediately preceding the Dividend Date or the Investment Date if the Nasdaq National Market is closed on such date). In each case, the price will be calculated to four decimal places. No newly issued or treasury shares will be

sold for less than par value ($8 per share).

The Company will pay all costs of administration of the Plan, excluding normal brokerage commissions incurred to purchase shares on the open market or to sell shares.

13. When will dividend funds be invested?

On each Dividend Date, the dividends on any designated shares registered in the names of the participants, as well as on the Common Stock held in the Plan accounts of the participants, will be invested in Common Stock as of such Dividend Date, along with Optional Cash Payments received prior to the close of business on such Dividend Date (see Question 8). Dividends that are not invested within 30 days of the Dividend Date will be paid to the shareholder. For administrative purposes, the actual crediting of the Common Stock to a participant's account and the purchase of shares through the Plan may take place several days after each Dividend Date.

INITIAL INVESTMENTS AND OPTIONAL CASH PAYMENTS

14. When must the Initial Investments and Optional Cash Payments be made?

Initial Investments must be received with a properly completed Enrollment Form at least three business days prior to the Investment Date (see Question 8 for definition of Investment Date). On each Investment Date, the Company will invest any Optional Cash Payments received prior to the close of business on the Investment Date and Initial Investments in Common Stock for the account of such participant. If received after the Investment Date, the Company may hold the investment until the next Investment Date. Initial Investments and Optional Cash Payments that are not invested within 35 days of receipt will be returned to the participant. Only participants who have properly completed, signed, and returned an Enrollment Form as provided in Questions 8 and 9 are eligible to make an Initial Investment and Optional Cash Payments.

A participant may withdraw an Initial Investment or Optional Cash Payment by notifying the Company's Shareholder Services Department in writing not less than two business days before an Investment Date. Any withdrawn amount will be returned as promptly as practicable without interest.

The Company will acknowledge receipt of all Initial Investments and Optional Cash Payments. No interest will be paid on Initial Investments and Optional Cash Payments held by the Company pending investment. Participants are requested not to send cash.

15. How are Initial Investments and Optional Cash Payments made?

Participants may make Initial Investments of not less than $50 and Optional Cash Payments of not less than $25 per payment nor more than $25,000 for each calendar quarter per account. When enrolling in the Plan, an Initial Investment and Optional Cash Payment may be made by the participant by enclosing with the Enrollment Form a check or money order payable to the order of Madison Gas and Electric Company. Thereafter, Optional Cash Payments may be made through the use of the Remittance Form for Optional Cash Payments sent to participants by the Company. The Company will promptly transmit all Initial Investments and Optional Cash Payments to the segregated Escrow Account at a bank or to the Agent.

It is recommended that all payments be made so as to reach the Company at least five business days prior to the Investment Date. Each payment by a participant must be made by check or money order payable to the order of Madison Gas and Electric Company and the same amount of money need not be sent each time, subject to the minimum and maximum payment levels. There is no obligation to make Optional Cash Payments.

Employees of the Company or its subsidiaries participating in the Plan may arrange for an Initial Investment or Optional Cash Payments to be made through payroll deductions. The $50 and $25 minimum payment requirement for Initial Investments and Optional Cash Payments, respectively, will not apply to payments made through payroll deductions. Application forms for such employee payroll deductions are available from the Company's Shareholder Services Department. Commencement, revision, or termination of payroll deductions will become effective as soon as practicable after receipt of the request.

16. What happens if a check is returned unpaid by a participant's financial institution?

In the event that any check is returned unpaid for any reason and the Company is unable to collect funds from the participant, the Company will consider the request for investment of such funds null and void. The Company shall remove from the participant's account any shares purchased upon the prior credit of such funds. Those shares may be sold to satisfy any uncollected amount. If the net proceeds of such sale are insufficient to satisfy the balance of such uncollected amount, additional shares may be sold from the participant's account as necessary to satisfy the uncollected balance.

REPORTS TO PARTICIPANTS

17. What kind of reports will be sent to participants in the Plan?

Each participant will receive a statement of account following each purchase or sale of Common Stock for the participant's account under the Plan. Statements of account will be issued quarterly for all Plan participants and for each month when the participant purchases or sells shares. Quarterly statements of account are cumulative, showing activity for all three months of the quarter and calendar year to date. Account statements are the participant's continuing record of purchases and should be retained for income tax purposes. The final statement of the calendar year will indicate the total dividends credited to the participant's account for the year for the participant's Plan account, and a Form 1099-DIV will be issued to each participant for use in reporting dividends received for income tax purposes.

For participants who are not making Optional Cash Payments or reinvesting dividends but have shares held in the Plan, information regarding share balances and year-to-date dividends will accompany their dividend check.

18. What other communications will participants receive from the Company?

Each participant will receive the same communications as every other shareholder of record, including Quarterly Reports, the Annual Report, the Notice of Annual Meeting of Shareholders and the Proxy Statement, Proxy, and income tax information, including 1099 forms for reporting dividends and sale proceeds received by the participant. See Question 29 regarding voting of proxies.

DIVIDENDS ON FRACTIONS OF SHARES AND ELECTRONIC DEPOSIT

19. Will participants be paid or credited with dividends on fractions of shares?

Yes.

20. Will the Company automatically deposit dividends which are not reinvested directly into a participant's designated account?

In lieu of receiving dividends by check, a participant may receive dividends by electronic deposit to a designated account. A participant must complete and sign a direct deposit authorization form and return it to Madison Gas and Electric Company, Shareholder Services Department, Post Office Box 1231, Madison, WI 53701-1231. Direct deposit will become effective as soon as practicable after receipt of a properly completed direct deposit authorization form. Changes in direct deposit instructions may be made by delivering a new properly completed direct deposit authorization form.

CERTIFICATES FOR SHARES

21. Will certificates be issued for the Common Stock purchased?

Normally, certificates for Common Stock purchased under the Plan will not be issued to participants. Instead, the Common Stock purchased for each participant will be credited to the participant's Plan account by the Company and will be shown on the participant's statement of account. This convenience protects against loss, theft, or destruction of Common Stock certificates. See Question 17 regarding issuance of statements of account.

Certificates for any number of whole shares credited to an account under the Plan will be issued in the participant's name upon the written request of a participant. A participant must furnish separate written instructions to the Company each time the issuance of certificates is desired. Requests should be mailed to Madison Gas and Electric Company, Shareholder Services Department, Post Office Box 1231, Madison, WI 53701-1231. Requests for certificates will be handled without charge to participants, but participants are restricted to one request per quarter.

Certificates for fractions of shares will not be issued to a participant

under any circumstances. See Questions 24 and 25 regarding withdrawal of fractional shares from the Plan.

Common Stock credited to the account of a participant under the Plan may not be pledged. A participant who wishes to pledge Common Stock must request that certificates for such Common Stock be issued in his or her name.

22. In whose name will certificates be registered when issued?

Accounts in the Plan will be maintained in a participant's name as shown on the Company's shareholder records. Certificates for whole shares will be similarly registered when issued.

Upon written request, certificates can also be registered and issued in names other than that of a participant, subject to compliance with any applicable laws and to payment by the participant of any applicable taxes, and provided that the request, in proper form, bears the signature of the participant and the signature is guaranteed by an eligible financial institution acceptable to the Company's transfer agent.

SAFEKEEPING OF CERTIFICATES

23. Can certificates be sent to the Company for safekeeping?

Participants who wish to have the Company hold their certificated shares in safekeeping may send the certificate(s) to the Company for deposit to a Plan account in the participant's name. Send the certificate, unsigned, with an Enrollment Form to Madison Gas and Electric Company, Shareholder Services Department, Post Office Box 1231, Madison, WI 53701-1231. Enrollment Forms may be obtained at any time by writing to the Company or telephoning the Company at the appropriate toll-free number listed on page 15. It is recommended the certificate(s) be sent by registered or certified mail, return receipt requested. Participants bear all risk of loss in sending certificates for safekeeping. Certificates received for safekeeping will be canceled and registered in the name of the Nominee as custodian for participants in the Plan. Participants using safekeeping services must advise the Company as to their choice of dividend payment options by indicating their choice on the Enrollment Form under "Participation."

WITHDRAWAL

24. What are the options for withdrawal of Common Stock from the Plan?

When a participant withdraws all or a portion of his or her Common Stock from the Plan, the participant has five options. A participant may elect (i) to have a certificate issued for all of the whole shares credited to the participant's Plan account and receive a cash payment for any fraction of a share, (ii) to have the Company sell all of the participant's Plan shares and receive a check for the proceeds, (iii) to have a certificate issued for a specified number of whole shares to be withdrawn from the Plan, leaving the remaining shares in the Plan, (iv) to have the Company sell a specified number of Plan shares and receive a check for the proceeds, leaving the remaining shares in the Plan, or (v) to discontinue reinvestment of dividends but continue to have shares held in safekeeping.

25. When and how may participants withdraw all or a portion of their Common Stock from the Plan?

A participant may withdraw from the Plan at any time by sending a written request to Madison Gas and Electric Company, Shareholder Services Department, Post Office Box 1231, Madison, WI 53701-1231.

When a participant requests to withdraw all of his or her Common Stock from the Plan, termination of participation in the Plan will be effective upon the issuance of a certificate or sale of his or her Common Stock. If a participant withdraws all of his or her Common Stock from the Plan and requests a certificate for the shares, a certificate for all of the whole shares credited to the participant's Plan account will be issued and a cash payment representing any fraction of a share will be mailed directly to the participant. The cash payment to each such participant will be based on the actual sales price when accumulated fractional sales of withdrawing participants are sold through the Plan.

If a request for withdrawal is received less than 30 days preceding a Dividend Date, the request may be held until dividend processing is complete.

Sales of whole shares and any fractional shares will be made directly to the

Agent. The sale price to participants of shares sold through the Plan will be the market price, including normal brokerage commissions, carried to four decimal places, of shares purchased by the Agent. Sale proceeds will be mailed to the participant. Sales of whole and fractional shares may be accumulated; sales transactions will, however, normally occur weekly and at least every 30 days. Participants will receive certificates for shares or cash for shares which are sold no later than 30 days after the Company's receipt of the written notice of withdrawal.

The Company cannot guarantee that shares will be sold on any specific day or at any specific price.

26. When may former participants rejoin the Plan?

Generally, a former participant may again become a participant at any time (see Question 8). However, the Company reserves the right to reject any Enrollment Form from a previous participant on grounds of excessive joining and termination. Such reservation is intended to minimize unnecessary administrative expense and to encourage use of the Plan as a long-term investment service.

OTHER INFORMATION

27. When and how may participants change their status concerning dividend reinvestment in the Plan?

Participants may change their status at any time by indicating a new designation on an Enrollment Form. However, if a participant's request to change is received less than 30 days preceding a Dividend Date, the dividend paid on such date may, at the option of the Company, be processed under the participant's previous designation. All requests to change will be processed as promptly as possible.

28. What happens if the Company issues a stock dividend or declares a stock split?

Any stock dividends or split shares distributed by the Company on Common Stock held in the Plan for a participant will be credited to the participant's Plan account. Stock dividends or split shares distributed on certificated shares registered in the name of a participant will be registered in the participant's name and may be issued in certificate form.

29. How will participants' Common Stock be voted at meetings of shareholders?

The Common Stock credited to a participant's account may only be voted in accordance with the participant's instructions given on a proxy form which will be furnished to all shareholders.

30. What is the responsibility of the Company and the Nominee under the Plan?

Neither the Company, the Agent, the Nominee, nor any agents, in administering the Plan, will be liable for any act done in good faith, or for any omission to act in good faith, including, without limitation, any act giving rise to a claim of liability arising out of failure to terminate a participant's account upon such participant's death prior to the receipt of notice in writing of such death.

A participant should recognize that neither the Company, the Agent, the Nominee, nor any agents can assure a profit or protect against a loss on the Common Stock purchased or sold under the Plan.

The foregoing does not affect a participant's right to bring a cause of action based on alleged violations of federal securities laws.

31. What provision is made for shareholders whose dividends are subject to tax withholding?

In the case of participating shareholders whose dividends are subject to tax withholding, the Company will invest an amount equal to the cash dividend declared by the Company less the amount of tax required to be withheld. Only the net dividend will be applied by the Company to the purchase of Common Stock. The Company's quarterly statements for such participants will indicate the amount of tax withheld and the net dividend reinvested by the Company.

32. Can the Plan be changed or discontinued?

The Company reserves the right to suspend, modify, or terminate the Plan at any time. Notice of any such suspension, modification, or termination will be

sent to all affected participants.

33. Who interprets and regulates the Plan?

The Company reserves the right to interpret and regulate the Plan.

34. Which law governs the Plan?

The Plan is governed by and construed in accordance with the laws of the State of Wisconsin.

FEDERAL INCOME TAX CONSEQUENCES

The federal income tax information in Questions 35 through 37 is provided only as a guide to noncorporate participants who hold shares of Common Stock as a capital asset. All participants are urged to consult with their own tax advisors for more specific information on rules regarding the tax consequences of the Plan under federal and state income tax laws and the tax basis of shares held under the Plan in special cases, such as the death of a participant or a gift of such shares and for other tax consequences.

Because state income tax laws vary between states, information on state tax consequences is not discussed in this Prospectus. Plan participants are urged to consult with their own tax advisors regarding the tax consequences of Plan participation under the specific state and local income tax laws to which they are subject.

35. What are the federal income tax consequences of participation in the Plan?

Participants in the Plan will be subject to federal income tax on dividends they elect to have reinvested under the Plan even though such Participants will not actually receive cash. If the shares purchased with such reinvested dividends are purchased on the open market, the participant will be treated for federal income tax purposes as having received the cash dividend used to purchase such shares. If the shares purchased with such reinvested dividends are newly issued or treasury shares, the participant will be treated as having received a taxable dividend in an amount equal to the fair market value of such shares on the Dividend Date.

Generally, any dividends described above will be taxable to participants as ordinary dividend income to the extent of the Company's current or accumulated earnings and profits for federal income tax purposes. The amount of any dividends in excess of such earnings and profits will reduce a participant's tax basis in the Common Stock with respect to which such dividend was received, and, to the extent in excess of such basis, result in capital gain.

Participants in the Plan will not recognize any income for federal income tax purposes upon the purchase of shares of Common Stock with Initial Investments and Optional Cash Payments. See Question 36 regarding the tax basis of such shares.

36. What is the federal income tax basis and holding period of shares of Common Stock acquired under the Plan?

As a general rule, the tax basis of shares (or any fraction of a share) of Common Stock acquired under the Plan will equal (i) in the case of shares purchased on the open market, the purchase price for such shares (or fractional share), including any brokerage commissions, and (ii) in the case of newly issued shares or treasury shares, the fair market value of such shares on the Dividend Date.

The holding period for shares of Common Stock acquired under the Plan (or a fraction thereof) will begin on the day following the purchase date.

37. What are the federal income tax consequences of a sale of Common Stock acquired under the Plan?

A participant will not be subject to any federal income tax upon receipt of certificates for whole shares of Common Stock previously credited to the participant's account, whether upon request, withdrawal from the Plan, or the Company's termination thereof. However, gain or loss will be realized when shares are sold and with respect to any cash payment by the Company in lieu of issuance of a fractional share of Common Stock. The gain or loss will be equal to the difference between the amount received for such shares and the participant's tax basis therefor. If shares of Common Stock acquired under the Plan are held for more than one year, the gain or loss realized upon the sale thereof generally will be long-term capital gain or loss; if such shares are

held for a shorter period, such gain or loss will be short-term capital gain or loss.

DESCRIPTION OF COMMON STOCK

GENERAL

The Company is authorized by its Restated Articles of Incorporation, as amended (the "Articles"), to issue 50,000,000 shares of Common Stock ($1 par value), of which 16,079,718 shares were issued and outstanding as of March 31, 1998, and 1,175,000 shares of $25 par value redeemable preferred stock, cumulative, no shares of which are outstanding. None of the Common Stock has been redeemed or is held as treasury stock.

The following statements are summaries relating to the Common Stock of certain provisions of the Articles, of the Wisconsin Business Corporation Law, and of the Company's Indenture of Mortgage and Deed Trust (the "Indenture").

VOTING RIGHTS NONCUMULATIVE VOTING

Except as described below under "Limitation of Voting Rights of Substantial Shareholders," each share of Common Stock entitles the holder thereof to one vote for each share held on each matter submitted to a vote at a meeting of shareholders and in all elections of directors. Since the Common Stock does not have cumulative voting rights, the holders of more than 50% of the shares, if they choose to do so, can elect all of the directors. The holders of Common Stock exclusively possess the full voting power of the Company.

LIMITATION OF VOTING RIGHTS OF SUBSTANTIAL SHAREHOLDERS

The Company's Articles provide that so long as any person is a Substantial Shareholder (as defined), the record holders of the shares of the Company's Voting Stock (as defined) beneficially owned by such Substantial Shareholder have limited voting rights. These provisions may render more difficult or discourage a merger or takeover of the Company, the acquisition of control of the Company by a Substantial Shareholder, and the removal of incumbent management. "Voting Stock" is defined to include Common Stock and any class or series of preferred or preference stock then outstanding entitling the holder thereof to vote on the matter with respect to which a determination is being made, unless the shareholders or Board of Directors expressly exempt such class or series from such provisions.

A "Substantial Shareholder" is defined as any person or entity (other than the Company or a subsidiary and other than employee benefit plans of the Company or any subsidiary and the trustees thereof), or any group formed for the purpose of acquiring, holding, voting, or disposing of shares of Voting Stock, that is the beneficial owner of Voting Stock representing 10% or more of the votes entitled to be cast by the holders of all the then outstanding shares of Voting Stock. For purposes of the Articles, a person is deemed to be a "beneficial owner" of any shares of Voting Stock which such person (or any of its affiliates or associates) beneficially owns, directly or indirectly, or has the right to acquire or to vote, or which are beneficially owned, directly or indirectly, by any other person with which such person (or any of its affiliates or associates) has an agreement, arrangement, or understanding for the purpose of acquiring, holding, voting, or disposing of Voting Stock.

A Substantial Shareholder (including the shareholders of record of its beneficially owned shares) is entitled to cast one vote per share (or such other number of votes per share as may be specified in or pursuant to the Articles) with respect to the shares of Voting Stock which would entitle such Substantial Shareholder to cast up to 10% of the total number of votes entitled to be cast in respect of all the outstanding shares of Voting Stock. With respect to shares of Voting Stock that would entitle such Substantial Shareholder to cast more than 10% of such total number of votes, however, the Substantial Shareholder is entitled to only one/one-hundredth (1/100th) of the votes per share which it would otherwise be entitled to cast. In addition, in no event may such Substantial Shareholder exercise more than

15% of the total voting power of the holders of Voting Stock (after giving effect to the foregoing limitations).

If the shares of Voting Stock beneficially owned by a Substantial Shareholder are held of record by more than one person, the aggregate voting power of all such persons, as limited by the provisions described above, will be allocated in proportion to the number of shares held. In addition, the Articles

provide that a majority of the voting power of all the outstanding shares of Voting Stock (after giving effect to the foregoing limitations on voting rights) constitutes a quorum at all meetings of shareholders.

The following is an example of how the foregoing provisions would operate if the Company had 1,000 outstanding shares of Voting Stock. If a Substantial Shareholder beneficially owned 600 of the shares, he or she would be entitled to 100 votes for his or her first 100 shares and, on the basis of the limitation on voting rights with respect to shares in excess of 10%, an additional five votes for his or her remaining 500 shares. These 105 votes would be out of a total of 505 votes then entitled to be cast (that is, 105 votes by the Substantial Shareholder and 400 votes by all other shareholders). Then, because these 105 votes would constitute 21% of the total number of votes, the provisions of the Articles would further limit the Substantial Shareholder to approximately 71 votes of a total of approximately 471 entitled to be cast by all shareholders (15% of the total number of votes entitled to be cast). As a result of the limitation of the Substantial Shareholder's voting rights, the voting power of the other shareholders increases from 40% to 85%.

Accordingly, beneficial owners of more than 10% of the outstanding shares of Voting Stock will be unable to exercise voting rights proportionate to their equity interests.

Generally, Section 180.1150 of the Wisconsin Statutes states that the voting power of shares of certain Wisconsin corporations, including the Company, held by any person in excess of 20% of the voting power in the election of directors is limited to 10% of his or her full voting power. In other words, a person holding 500 shares of such a corporation with 1,000 shares outstanding would be limited to 230 votes on any matter subjected to a shareholder vote. Full voting power may be restored if a majority of the voting power shares represented at a meeting are voted in favor of such a restoration.

DIVIDEND RIGHTS

Dividends may be paid upon the Common Stock as and when declared by the Board of Directors out of any funds legally available therefor.

Under the terms of three supplemental indentures to the Indenture, so long as any of the bonds authorized by any such Supplemental Indenture are outstanding, dividends on the Common Stock cannot exceed retained income less such dividends less the excess of the maintenance and replacement requirements over the maintenance, repairs, and depreciation expenses, in each case accumulated since December 31, 1945. No portion of retained income is so restricted at this time.

Under the terms of all other supplemental indentures to the Indenture, so long as any of the bonds authorized by any such Supplemental Indenture are outstanding, dividends on the Common Stock cannot exceed retained income less such dividends, in each case accumulated since December 31, 1945. No portion of retained income is so restricted at this time.

LIQUIDATION RIGHTS

In the event the Company is liquidated or dissolved, after all of the Company's liabilities have been paid, and after any holders of any other stock having senior liquidation preferences to Common Stock have been paid or had funds set aside in accordance with the Articles, the holders of the then outstanding Common Stock are entitled to receive pro rata the remaining assets available for distribution.

PREEMPTIVE AND SUBSCRIPTION RIGHTS

No holder of any class of stock of the Company, including the Common Stock, has any preemptive or subscription rights.

LIABILITY TO FURTHER CALLS OR TO ASSESSMENT

The shares of Common Stock, when issued and delivered by the Company and paid for as herein contemplated, will be fully paid and nonassessable by the Company. However, in accordance with Section 180.0622(2)(b) of the Wisconsin Business Corporation Law, shareholders may be personally liable for an amount equal to the par value for all debts owing to employees of the Company for services performed, but not exceeding six months' service in any one case.

MISCELLANEOUS

The Company reserves the right to increase, decrease, or reclassify its

authorized capital stock, or any class or series thereof, and to amend or repeal any provisions in the Articles or in any amendment thereto in the manner now or hereafter prescribed by law, subject to the limitations in the Articles; and all rights conferred on the holders of Common Stock in the Articles or any amendment thereto are subject to this reservation. There are no conversion rights with respect to any class of capital stock of the Company.

COMMON STOCK DIVIDENDS AND MARKET

The Company has paid dividends on Common Stock in varying amounts since it became publicly held.

The Company's practice of paying dividends quarterly (in March, June, September, and December), the time of payment, and the amount of future dividends are necessarily dependent upon, the Company's earnings, financial requirements, and other factors.

The Common Stock is traded in the over-the-counter market and is quoted on the Nasdaq National Market under the symbol "MDSN."

Information and assistance with respect to the Plan may be obtained by writing to Madison Gas and Electric Company, Shareholder Services Department, Post Office Box 1231, Madison, WI 53701-1231, or by telephoning the Company at the appropriate toll-free number:

252-4744 From Madison, Wisconsin
1-800-362-6423 All other Wisconsin calls
1-800-356-6423 Outside Wisconsin (continental U.S.)

A participant should include his or her name, address, account number, telephone number during business hours, and taxpayer identification number with all correspondence. Participants should notify the Company of any change in address.

LEGAL MATTERS

Legal matters with respect to the Common Stock offered hereby will be passed upon for the Company by Gary J. Wolter, Senior Vice President--Administration and Secretary of the Company. Mr. Wolter beneficially owns shares of Common Stock.

EXPERTS

The consolidated financial statements and financial statement schedules of the Company and its subsidiaries included (or incorporated by reference) in the Company's Annual Report on Form 10-K for the year ended December 31, 1997, incorporated by reference herein, have been audited by Coopers & Lybrand L.L.P., independent accountants, as indicated in their report with respect thereto, and are so incorporated by reference herein in reliance upon the authority of said firm as experts in accounting and auditing matters.

TABLE OF CONTENTS

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THE SECURITIES OFFERED

BY THIS PROSPECTUS OR AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY SUCH SECURITIES IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF, OR THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SINCE ITS DATE.

MADISON GAS AND
ELECTRIC COMPANY

INVESTORS PLUS PLAN

PROSPECTUS

, 1998

SUBJECT TO COMPLETION, DATED JULY 22, 1998

INFORMATION CONTAINED HEREIN 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 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.

PROSPECTUS

MADISON GAS AND ELECTRIC COMPANY

COMMON STOCK $1 PAR VALUE

Madison Gas and Electric Company (the "Company") may offer from time to time, at prices and on terms to be determined at or prior to the time of sale, shares of its Common Stock, $1 par value. ("Common Stock"). Prospectus Supplements to this Prospectus will set forth the number of shares of Common Stock being offered hereunder from time to time, the underwriters for the shares being offered and the underwriting discounts and commissions, the net proceeds to the Company and the specific terms and conditions of such offer and the public offering price per share. The aggregate price paid for shares of Common Stock offered pursuant to the Company's Investors Plus Plan under this Prospectus and the initial public offering price of Medium-Term Notes and shares of Common Stock offered by separate prospectuses under the registration statement referred to below of which this Prospectus is a part, will not exceed $65,000,000.

The Common Stock is quoted on the Nasdaq National Market under the symbol "MDSN."

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 SUCH 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 , 1998.

AVAILABLE INFORMATION

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 Securities and Exchange Commission (the "Commission"). The Company has filed with the Commission a registration statement on Form S-3 (the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"),with respect to the shares of Common Stock offered hereby and certain other securities. This Prospectus does not contain all information set forth in the Registration Statement and reference is hereby made to the Registration Statement and the exhibits thereto for further information with respect to the Company and the shares of Common Stock offered hereby. Such reports, proxy

statements, Registration Statement and exhibits and other information can be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at its Northeast Regional Office located at 7 World Trade Center, Suite 1300, New York, New York 10048 and Midwest Regional Office located at Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Copies of such material can be obtained at prescribed rates from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. The Company is subject to the electronic filing requirements of the Commission. Accordingly, pursuant to the rules and regulations of the Commission, certain documents, including annual and quarterly reports and proxy statements, filed by the Company with the Commission have been and will filed electronically. The Commission maintains a World Wide Web site that contains reports, proxy and information statements and other information regarding registrants (including the Company) that file electronically with the Commission at http://www.sec.gov.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The Annual Report of the Company on Form 10-K for the year ended December 31, 1997 and the Quarterly Report of the Company on Form 10-Q for the quarter ended March 31, 1998 are incorporated by reference into this Prospectus. All documents filed by the Company pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this Prospectus and prior to the termination of the offering of the Notes contemplated hereby shall be deemed to be incorporated by reference into this Prospectus and to be made a part hereof from the respective dates of filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference in this Prospectus shall be deemed to be modified or superseded for purposes of the Registration Statement and this Prospectus to the extent that a statement contained in this Prospectus, in the applicable Prospectus Supplement or in any subsequently filed document which also is or is deemed to be incorporated by reference in this Prospectus modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of the Registration Statement or this Prospectus.

The Company will provide without charge to each person, including any beneficial owner, 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 documents referred to above which have been or may be incorporated in this Prospectus by reference, other than certain exhibits to such documents. Requests for such copies should be directed to Terry A. Hansen, Vice President -- Finance, Madison Gas and Electric Company, Post Office Box 1231, Madison, WI 53701-1231, telephone: (608) 252-7000.

THE COMPANY

The Company, a Wisconsin corporation organized as such in 1896, is a public utility located in Madison, Wisconsin. It is engaged in generating and transmitting electric energy and distributing it to approximately 117,000 customers throughout 250 square miles in Dane County. The Company also distributes and transports natural gas to approximately 97,000 customers throughout 975 square miles in Dane, Columbia, Iowa, Juneau, Monroe and Vernon counties. The principal executive offices of the Company are located at 133 South Blair Street, Post Office Box 1231, Madison, Wisconsin 53701-1231, and its telephone number is (608) 252-7000.

USE OF PROCEEDS

Except as may be set forth in the Prospectus Supplement, the Company intends to use the net proceeds from the sale of shares of Common Stock for its general corporate purposes, including the financing of capital expenditures, the refinancing of indebtedness, possible business investments and acquisitions. Pending such applications, the net proceeds would be temporarily invested in marketable securities.

DESCRIPTION OF COMMON STOCK

GENERAL

The Company is authorized by its Restated Articles of Incorporation, as amended (the "Articles"), to issue 50,000,000 shares of Common Stock ($1 par value), of which 16,079,718 shares were issued and outstanding as of March 31, 1998, and 1,175,000 shares of $25 par value redeemable preferred stock, cumulative, no shares of which are outstanding. None of the Common Stock has been redeemed or is held as treasury stock.

The following statements are summaries relating to the Common Stock of certain provisions of the Articles, of the Wisconsin Business Corporation Law, and of the Company's Indenture of Mortgage and Deed Trust (the "Indenture").

VOTING RIGHTS NONCUMULATIVE VOTING

Except as described below under "Limitation of Voting Rights of Substantial Shareholders," each share of Common Stock entitles the holder thereof to one vote for each share held on each matter submitted to a vote at a meeting of shareholders and in all elections of directors. Since the Common Stock does not have cumulative voting rights, the holders of more than 50% of the shares, if they choose to do so, can elect all of the directors. The holders of Common Stock exclusively possess the full voting power of the Company.

LIMITATION OF VOTING RIGHTS OF SUBSTANTIAL SHAREHOLDERS

The Company's Articles provide that so long as any person is a Substantial Shareholder (as defined), the record holders of the shares of the Company's Voting Stock (as defined) beneficially owned by such Substantial Shareholder have limited voting rights. These provisions may render more difficult or discourage a merger or takeover of the Company, the acquisition of control of the Company by a Substantial Shareholder, and the removal of incumbent management. "Voting Stock" is defined to include Common Stock and any class or series of preferred or preference stock then outstanding entitling the holder thereof to vote on the matter with respect to which a determination is being made, unless the shareholders or Board of Directors expressly exempt such class or series from such provisions.

A "Substantial Shareholder" is defined as any person or entity (other than the Company or a subsidiary and other than employee benefit plans of the Company or any subsidiary and the trustees thereof), or any group formed for the purpose of acquiring, holding, voting, or disposing of shares of

Voting Stock, that is the beneficial owner of Voting Stock representing 10% or more of the votes entitled to be cast by the holders of all the then outstanding shares of Voting Stock. For purposes of the Articles, a person is deemed to be a "beneficial owner" of any shares of Voting Stock which such person (or any of its affiliates or associates) beneficially owns, directly or indirectly, or has the right to acquire or to vote, or which are beneficially owned, directly or indirectly, by any other person with which such person (or any of its affiliates or associates) has an agreement, arrangement, or understanding for the purpose of acquiring, holding, voting, or disposing of Voting Stock.

A Substantial Shareholder (including the shareholders of record of its beneficially owned shares) is entitled to cast one vote per share (or such other number of votes per share as may be specified in or pursuant to the Articles) with respect to the shares of Voting Stock which would entitle such Substantial Shareholder to cast up to 10% of the total number of votes entitled to be cast in respect of all the outstanding shares of Voting Stock. With respect to shares of Voting Stock that would entitle such Substantial Shareholder to cast more than 10% of such total number of votes, however, the Substantial Shareholder is entitled to only one/one-hundredth (1/100th) of the votes per share which it would otherwise be entitled to cast. In addition, in no event may such Substantial Shareholder exercise more than 15% of the total voting power of the holders of Voting Stock (after giving effect to the foregoing limitations).

If the shares of Voting Stock beneficially owned by a Substantial Shareholder are held of record by more than one person, the aggregate voting power of all such persons, as limited by the provisions described above, will be allocated in proportion to the number of shares held. In addition, the Articles provide that a majority of the voting power of all the outstanding shares of Voting Stock (after giving effect to the foregoing limitations on voting rights) constitutes a quorum at all meetings of shareholders.

The following is an example of how the foregoing provisions would operate if the Company had 1,000 outstanding shares of Voting Stock. If a Substantial Shareholder beneficially owned 600 of the shares, he or she would be entitled to 100 votes for his or her first 100 shares and, on the basis of the limitation on voting rights with respect to shares in excess of 10%, an additional five votes for his or her remaining 500 shares. These 105 votes would be out of a total of 505 votes then entitled to be cast (that is, 105 votes by the Substantial Shareholder and 400 votes by all other shareholders). Then, because these 105 votes would constitute 21% of the total number of votes, the provisions of the Articles would further limit the Substantial Shareholder to approximately 71 votes of a total of approximately 471 entitled to be cast by all shareholders (15% of the total number of votes entitled to be cast). As a result of the limitation of the Substantial Shareholder's voting rights, the voting power of

the other shareholders increases from 40% to 85%.

Accordingly, beneficial owners of more than 10% of the outstanding shares of Voting Stock will be unable to exercise voting rights proportionate to their equity interests.

Generally, Section 180.1150 of the Wisconsin Statutes states that the voting power of shares of certain Wisconsin corporations, including the Company, held by any person in excess of 20% of the voting power in the election of directors is limited to 10% of his or her full voting power. In other words, a person holding 500 shares of such a corporation with 1,000 shares outstanding would be limited to 230 votes on any matter subjected to a shareholder vote. Full voting power may be restored if a majority of the voting power shares represented at a meeting are voted in favor of such a restoration.

DIVIDEND RIGHTS

Dividends may be paid upon the Common Stock as and when declared by the Board of Directors out of any funds legally available therefor.

Under the terms of three supplemental indentures to the Indenture, so long as any of the bonds authorized by any such Supplemental Indenture are outstanding, dividends on the Common Stock cannot

exceed retained income less such dividends less the excess of the maintenance and replacement requirements over the maintenance, repairs, and depreciation expenses, in each case accumulated since December 31, 1945. No portion of retained income is so restricted at this time.

Under the terms of all other supplemental indentures to the Indenture, so long as any of the bonds authorized by any such Supplemental Indenture are outstanding, dividends on the Common Stock cannot exceed retained income less such dividends, in each case accumulated since December 31, 1945. No portion of retained income is so restricted at this time.

LIQUIDATION RIGHTS

In the event the Company is liquidated or dissolved, after all of the Company's liabilities have been paid, and after any holders of any other stock having senior liquidation preferences to Common Stock have been paid or had funds set aside in accordance with the Articles, the holders of the then outstanding Common Stock are entitled to receive pro rata the remaining assets available for distribution.

PREEMPTIVE AND SUBSCRIPTION RIGHTS

No holder of any class of stock of the Company, including the Common Stock, has any preemptive or subscription rights.

LIABILITY TO FURTHER CALLS OR TO ASSESSMENT

The shares of Common Stock, when issued and delivered by the Company and paid for as herein contemplated, will be fully paid and nonassessable by the Company. However, in accordance with Section 180.0622(2)(b) of the Wisconsin Business Corporation Law, shareholders may be personally liable for an amount equal to the par value for all debts owing to employees of the Company for services performed, but not exceeding six months' service in any one case.

MISCELLANEOUS

The Company reserves the right to increase, decrease, or reclassify its authorized capital stock, or any class or series thereof, and to amend or repeal any provisions in the Articles or in any amendment thereto in the manner now or hereafter prescribed by law, subject to the limitations in the Articles; and all rights conferred on the holders of Common Stock in the Articles or any amendment thereto are subject to this reservation. There are no conversion rights with respect to any class of capital stock of the Company.

COMMON STOCK DIVIDENDS AND MARKET

The Company has paid dividends on Common Stock in varying amounts since it became publicly held.

The Company's practice of paying dividends quarterly (in March, June, September, and December), the time of payment, and the amount of future dividends are necessarily dependent upon, the Company's earnings, financial requirements, and other factors.

The Common Stock is traded in the over-the-counter market and is quoted on the Nasdaq National Market under the symbol "MDSN."

PLAN OF DISTRIBUTION

The Company may sell shares of Common Stock in and/or outside the United States: (i) through underwriters or dealers; (ii) directly to a limited number of purchasers or to a single purchaser, or (iii) through agents. The Prospectus Supplement with the respect to the shares of Common Stock being offered (the "Offered Shares") will set forth the terms of the offering of the Offered Shares, including the name or names of any underwriters or agents, the purchase price of the Offered Shares and the proceeds

to the Company from such sale, any underwriting discounts and other items constituting underwriters' compensation, any initial public offering price and any discounts or concessions allowed or reallowed or paid to dealers. Any initial public offering price and any discounts or concessions allowed or reallowed or paid to dealers may be changed from time to time.

If underwriters are used in the sale, the Offered Shares will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The shares of Common Stock may be offered to the public either through underwriting syndicates represented by one or more managing underwriters or directly by one or more underwriters. The underwriter or underwriters with respect to a particular underwritten offering of shares of Common Stock, or, if an underwriting syndicate is used, the managing underwriter or underwriters, will be set forth on the cover of the applicable Prospectus Supplement. Unless otherwise set forth in the Prospectus Supplement relating thereto, the obligations of the underwriters to purchase the Offered Shares will be subject to conditions precedent and the underwriters will be obligated to purchase all of the Offered Shares if any are purchased.

If dealers are utilized in the sale of Offered Shares in respect of which this Prospectus is delivered, and if so specified in the applicable Prospectus Supplement, the Company will sell such Offered Shares to the dealers as principals. The dealers may then resell such Offered Shares to the public at varying prices to be determined by such dealers at the time of resale. The names of the dealers and the terms of the transaction will be set forth in the applicable Prospectus Supplement.

The shares of Common Stock may be sold directly by the Company or through agents designated by the Company from time to time. Any agent involved in the offer or sale of the Offered Shares in respect to 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.

Underwriters, dealers and agents may be entitled under agreements entered into with the Company to indemnification by the Company against certain civil liabilities, including liabilities under the Securities Act, or to contribution with respect to payments which the underwriters, dealers or agents may be required to make in respect thereof. Underwriters, dealers and agents may be customers of, may engage in transactions with, or perform services for, the Company in the ordinary course of business.

LEGAL MATTERS

Legal matters with respect to the shares of Common Stock will be passed upon for the Company by Stafford, Rosenbaum, Rieser & Hansen, Madison, Wisconsin, and by Sidley & Austin, Chicago, Illinois, and for any underwriters, dealers, purchasers or agents by Jones, Day, Reavis & Pogue, Chicago, Illinois. The Company is advised that as of July 21, 1998, an attorney at the firm of Stafford, Rosenbaum, Rieser & Hansen, who has participated in the preparation of this Prospectus and the Registration Statement, and who will participate in the rendition of the firm's opinions with respect to the shares of Common Stock, owned beneficially 6,525 shares of the Common Stock.

EXPERTS

The consolidated financial statements and financial statement schedules of the Company and its subsidiaries included (or incorporated by reference) in the Company's Annual Report on Form 10-K for the year ended December 31, 1997, incorporated by reference herein, have been audited by Coopers & Lybrand L.L.P., independent accountants, as indicated in their report with respect thereto, and

are so incorporated by reference herein in reliance upon the authority of said firm as experts in accounting and auditing matters.

TABLE OF CONTENTS

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THE SECURITIES OFFERED BY THIS PROSPECTUS OR AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY SUCH SECURITIES IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF, OR THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SINCE ITS DATE.

MADISON GAS AND
ELECTRIC COMPANY

COMMON STOCK

PROSPECTUS

, 1998

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

Registration Fee--Securities and Exchange Commission	$ 19,175
Public Service Commission of Wisconsin Fee	1,500
Accounting fees and expenses	25,000
Printing expenses	36,000
Trustee fees and expenses	20,000
Legal fees and expenses	80,000
Miscellaneous	18,325
Total	$ 200,000

All of the above items except the Registration Fee are estimated.

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Pursuant to the provisions of the Wisconsin Business Corporation Law and Article IX of the Registrant's By-Laws, directors and officers of the Registrant are entitled to mandatory indemnification from the Registrant against certain liabilities (which may include liabilities under the Securities Act of 1933) and expenses (i) to the extent such officers or directors are successful in the defense of a proceeding; and (ii) in proceedings in which the director or officer is not successful in defense thereof, unless it is determined that the director or officer breached or failed to perform his or her duties to the Registrant and such breach or failure constituted: (a) a willful failure to deal fairly with the Registrant or its shareholders in connection with a matter in which the director or officer had a material conflict of interest; (b) a violation of criminal law unless the director or officer had reasonable cause to believe his or her conduct was lawful or had no reasonable cause to believe his or her conduct was unlawful; (c) a transaction from which the director or officer derived an improper personal profit; or (d) willful misconduct. Additionally, under the Wisconsin Business Corporation Law, directors of the Registrant are not subject to personal liability to the Registrant, its shareholders, or any person asserting rights on behalf thereof, for certain breaches or failures to perform any duty resulting solely from their status as directors, except in circumstances paralleling those outlined above.

Directors and officers of the Registrant are insured, at the expense of the Registrant, against certain liabilities which might arise out of their employment and which might not be indemnified or indemnifiable under the By-laws. The primary coverage is provided by a Directors and Officers Liability Insurance Policy in customary form having a one-year term. The coverage also applies to directors and officers of subsidiaries of the Registrant. No deductibles or retentions apply to individual directors or officers.

ITEM 16. EXHIBITS.

<TABLE>
<CAPTION>

EXHIBIT NO.	DESCRIPTION
<C>	<S>
1.1	Form of Distribution Agreement for Medium Term Notes
1.2	Form of Terms Agreement for Medium Term Notes
1.3	Form of Underwriting Agreement for Common Stock
4.1*	Restated Articles of Incorporation of the Company, filed as Exhibit 3.(i) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994, File No. 0-1125, is hereby incorporated by reference.
4.2*	By-laws of the Company, filed as Exhibit 3B to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1991, File No. 0-1125, is hereby incorporated by reference.
4.3*	Indenture of Mortgage and Deed of Trust between the Company and First Wisconsin Trust Company (now known as Firstar Trust Company), as Trustee, dated as of January 1, 1946 (Exhibit 7-D to file No. 2-6059), and the following indentures supplemental thereto, respectively, the Fifth Supplemental Indenture dated as of June 1, 1966 (Exhibit 4-B-6 to file No. 2-25244), the Seventh Supplemental Indenture dated as of January 15, 1971 (Exhibit 2.08 to file No. 2-38980), the Tenth Supplemental Indenture dated as of November 1, 1976 (Exhibit 2.03 to file No. 2-60227), the Fourteenth Supplemental Indenture dated as of April 1, 1992 (Exhibit 4C to file No. 0-1125), the Fifteenth Supplemental Indenture dated as of April 1, 1992 (Exhibit 4D to file No. 0-1125), the Sixteenth Supplemental Indenture dated as of October 1, 1992 (Exhibit 4E to file No. 0-1125), and the Seventeenth Supplemental Indenture dated as of February 1, 1993 (Exhibit 4F to file No. 0-1125).
4.4	Form of Medium-Term Note Indenture.
4.5	Form of Global fixed Rate Note (included in Exhibit4.4)
4.6	Form of Fixed Rate Note (included in Exhibit 4.4)
4.7	Form of Global Floating Rate Note (included in Exhibit 4.4)
4.8	Form of Floating Rate Note (included in Exhibit 4.4)
4.9	Form of Interest Calculation Agency Agreement.
5.1	Opinion of Gary Wolter, Esq.
5.2	Opinion of Stafford, Rosenbaum, Rieser and Hansen
5.3	Opinion of Sidley & Austin
12*	Statements regarding computation of ratios are hereby incorporated by reference to the Company's Annual Reports on Form 10-K for the Years Ended December 31, 1997, 1996, 1995, 1994 and 1993, and the Company's Quarterly Report on Form 10-Q for the Quarter ended March 31, 1998.
23.1	Consent of PricewaterhouseCoopers LLP
23.2	Consent of Gary Wolter, Esq. (included in Exhibit 5.1)
23.3	Consent of Stafford, Rosenbaum, Rieser & Hansen (included in Exhibit 5.2)
23.4	Consent of Sidley & Austin (included in Exhibit 5.3).
24	Powers of Attorney (included on signature page).
25	Form T-1 Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 of Bank One, N.A.

</TABLE>

---

* The exhibits listed above and marked with an asterisk were filed as exhibits to Registration Statements or Reports previously filed with the Commission under the exhibit number and Registration or File number as shown after each such exhibit, and they are hereby incorporated herein by reference.

ITEM 17. UNDERTAKINGS.

(a) The undersigned registrant hereby undertakes:

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

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

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

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

provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the registration statement is on Form S-3, Form S-8 or Form F-3, and the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by the registrant pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

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

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

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

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

* * * * *

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Madison, State of Wisconsin, on this 17th day of July 1998.

MADISON GAS AND ELECTRIC COMPANY

By: /s/ DAVID C. MEBANE

David C. Mebane
CHAIRMAN, PRESIDENT AND
CHIEF EXECUTIVE 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 on this 17th day of July, 1998.

Each person whose signature appears below constitutes and appoints David C. Mebane and Gary J. Wolter, and each of them, his or her true and lawful attorney-in-fact and agent, with full power of substitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Registration Statement (including post-effective amendments), and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying all that such attorneys-in-fact and agents, or any of them or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

<TABLE>
<CAPTION>

SIGNATURE	TITLE
<C>	<S>
/s/ DAVID C. MEBANE David C. Mebane	Chairman, President and Chief Executive Officer (Principal Executive Officer)
/s/ TERRY A. HANSEN Terry A. Hansen	Vice President-Terry A. Hansen Finance (Principal Financial Officer and Principal Accounting Officer)
/s/ JEAN MANCHESTER BIDDICK Jean Manchester Biddick	Director
/s/ RICHARD E. BLANEY Richard E. Blaney	Director
/s/ REGINA M. MILLNER Regina M. Millner	Director
/s/ FREDERIC E. MOHS Frederic E. Mohs	Director
/s/ PHILLIP C. STARK Phillip C. Stark	Director

</TABLE>

<TABLE>
<CAPTION>

SIGNATURE	TITLE
<C>	<S>
/s/ H. LEE SWANSON H. Lee Swanson	Director
/s/ FRANK C. VONDRASEK Frank C. Vondrasek	Director

</TABLE>

INDEX TO EXHIBITS

<TABLE>
<CAPTION>

EXHIBIT NO.	DESCRIPTION
<C>	<S>
1.1	Form of Distribution Agreement for Medium Term Notes
1.2	Form of Terms Agreement for Medium Term Notes
1.3	Form of Underwriting Agreement for Common Stock
4.1*	Restated Articles of Incorporation of the Company, filed as Exhibit 3.(i) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994, File No. 0-1125, is hereby incorporated by reference.
4.2*	By-laws of the Company, filed as Exhibit 3B to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1991, File No. 0-1125, is hereby incorporated by reference.
4.3*	Indenture of Mortgage and Deed of Trust between the Company and First Wisconsin Trust Company (now known as Firstar Trust Company), as Trustee, dated as of January 1, 1946 (Exhibit 7-D to file No. 2-6059), and the following indentures supplemental thereto, respectively, the Fifth Supplemental Indenture dated as of June 1, 1966 (Exhibit 4-B-6 to file No. 2-25244), the Seventh Supplemental Indenture dated as of January 15, 1971 (Exhibit 2.08 to file No. 2-38980), the Tenth Supplemental Indenture dated as of November 1, 1976 (Exhibit 2.03 to file No. 2-60227), the Fourteenth Supplemental Indenture dated as of April 1, 1992 (Exhibit 4C to file No. 0-1125), the Fifteenth Supplemental Indenture dated as of April 1, 1992 (Exhibit 4D to file No. 0-1125), the Sixteenth Supplemental Indenture dated as of October 1, 1992 (Exhibit 4E to file No. 0-1125), and the Seventeenth Supplemental Indenture dated as of February 1, 1993 (Exhibit 4F to file No. 0-1125).
4.4	Form of Medium-Term Note Indenture.
4.5	Form of Global fixed Rate Note (included in Exhibit 4.4)
4.6	Form of Fixed Rate Note (included in Exhibit 4.4)
4.7	Form of Global Floating Rate Note (included in Exhibit 4.4)
4.8	Form of Floating Rate Note (included in Exhibit 4.4)
4.9	Form of Interest Calculation Agency Agreement.
5.1	Opinion of Gary Wolter, Esq.
5.2	Opinion of Stafford, Rosenbaum, Rieser and Hansen
5.3	Opinion of Sidley & Austin
12*	Statements regarding computation of ratios are hereby incorporated by reference to the Company's Annual Reports on Form 10-K for the Years Ended December 31, 1997, 1996, 1995, 1994 and 1993, and the Company's Quarterly Report on Form 10-Q for the Quarter ended March 31, 1998.
23.1	Consent of PricewaterhouseCoopers LLP
23.2	Consent of Gary Wolter, Esq. (included in Exhibit 5.1)
23.3	Consent of Stafford, Rosenbaum, Rieser & Hansen (included in Exhibit 5.2)
23.4	Consent of Sidley & Austin (included in Exhibit 5.3).
24	Powers of Attorney (included on signature page).

25	Form T-1 Statement of Eligibility and Qualification under the Trust Indenture Act of 1939 of Bank One, N.A.

</TABLE>

---

* The exhibits listed above and marked with an asterisk were filed as exhibits to Registration Statements or Reports previously filed with the Commission under the exhibit number and Registration or File number as shown after each such exhibit, and they are hereby incorporated herein by reference.

EXHIBIT 1.1

MADISON GAS AND ELECTRIC COMPANY

MEDIUM-TERM NOTES DUE NOT LESS THAN
9 MONTHS FROM DATE OF ISSUE

DISTRIBUTION AGREEMENT

_____, 1998

Agents
Addresses

Dear Sirs:

Madison Gas and Electric Company, a Wisconsin corporation (the "Company"), confirms its agreement with _____ _____ (each, an "Agent" and, together, the "Agents") with respect to the issue and sale by the Company of its Medium-Term Notes described herein (the "Notes"). The Notes are to be issued pursuant to an indenture (the "Indenture") dated as of _____, 1998 between the Company and Bank One, N.A., as trustee (the "Trustee"). As of the date hereof, the Company has authorized the issuance and sale of up to $65,000,000 aggregate principal amount of Notes through the Agents pursuant to the terms of this Agreement. It is understood, however, that the Company from time to time may reduce the maximum principal amount of Notes which it may issue and sell or authorize the issuance of additional Notes and that such additional Notes may be sold through or to the Agents pursuant to the terms of this Agreement, all as though the issuance of such Notes were authorized as of the date hereof.

This Agreement provides both for the sale of Notes by the Company directly to purchasers, in which case the Agents will act as agents of the Company in soliciting Note purchases, and (as may from time to time be agreed to by the Company and the Agents) to the Agents as principal for resale to purchasers.

The Company has filed with the Securities and Exchange Commission (the "SEC") a registration statement on Form S-3 (No. 333-) for the registration of certain securities,

including the Notes, under the Securities Act of 1933 (the "1933 Act") and

the offering thereof from time to time in accordance with Rule 415 of the rules and regulations of the SEC under the 1933 Act (the "1933 Act Regulations"). Such registration statement has been declared effective by the SEC and the Indenture has been qualified under the Trust Indenture Act of 1939, as amended (the "1939 Act"). Such registration statement (and any further registration statements which may be filed by the Company for the purpose of registering additional Notes and in connection with which this Agreement is included or incorporated by reference as an exhibit) and the prospectus specifically relating to the Notes constituting a part thereof, and any prospectus supplements (including pricing supplements) specifically relating to the Notes, including all documents incorporated therein by reference, as from time to time amended or supplemented by the filing of documents pursuant to the Securities Exchange Act of 1934 (the "1934 Act") or the 1933 Act or otherwise, are referred to herein as the "Registration Statement" and the "Prospectus", respectively, except that if any revised prospectus specifically relating to Notes shall be provided to the Agents by the Company for use in connection with the offering of Notes which is not required to be filed by the Company pursuant to Rule 424(b) of the 1933 Act Regulations, the term "Prospectus" shall refer to such revised prospectus from and after the time it is first provided to an agent for such use.

SECTION 1. APPOINTMENT AS AGENTS.

(a) APPOINTMENT OF AGENTS. Subject to the terms and conditions stated herein and subject to the reservation by the Company of the right to sell Notes directly on its own behalf, the Company hereby appoints each Agent as its agent for the purpose of soliciting purchases of Notes from the Company by others and agrees that, except as otherwise contemplated herein, whenever the Company determines to sell Notes directly to an Agent or Agents as principal for resale to others, it will enter into a Terms Agreement (hereafter defined) relating to such sale in accordance with the provisions of Section 3(b) hereof. The Agents are authorized to appoint sub-agents or to engage the services of any other broker or dealer in connection with the offer or sale of Notes. The Company agrees that, during the period any Agent is acting as the Company's Agent hereunder, the Company will not contact or solicit potential investors introduced to it by such Agent to purchase Notes. The Company may appoint, upon one day prior written notice to the Agents, additional persons to serve as Agent hereunder, but only if each such additional person agrees to be bound by all of the terms of this Agreement as an agent.

(b) REASONABLE EFFORTS SOLICITATIONS; RIGHT TO REJECT OFFERS. Upon receipt of instructions from the Company, the Agents will use

their reasonable efforts to solicit purchases of such principal amount of Notes as the Company and the Agents shall agree upon from time to time during the term of this Agreement, it being understood that the Company shall not approve the solicitation of purchases of Notes in excess of the amount which

shall be authorized by the Company from time to time or in excess of the principal amount of Notes registered pursuant to the Registration Statement. The Agents will have no responsibility for maintaining records with respect to the aggregate principal amount of Notes sold, or of otherwise monitoring the availability of Notes for sale under the Registration Statement. The Agents will communicate to the Company, orally or in writing, each offer to purchase Notes, other than those offers rejected by an Agent. Each Agent shall have the right, in its discretion reasonably exercised, to reject any proposed purchase of Notes, as a whole or in part, and any such rejection shall not be deemed a breach of such Agent's agreement contained herein. The Company may accept or reject any proposed purchase of Notes, in whole or in part.

(c) SOLICITATIONS AS AGENT; PURCHASES AS PRINCIPAL. In soliciting purchases of Notes on behalf of the Company, each Agent shall act solely as agent for the Company and not as principal. Each Agent shall make reasonable efforts to assist the Company in obtaining performance by each purchaser whose offer to purchase Notes has been solicited by such Agent and accepted by the Company. Such Agent shall not have any liability to the Company in the event any such purchase is not consummated for any reason. Such Agent shall not have any obligation to purchase Notes from the Company as principal, but an Agent may agree from time to time to purchase Notes as principal. Any such purchase of Notes by an Agent as principal shall be made pursuant to a Terms Agreement in accordance with Section 3(b) hereof.

(d) RELIANCE. The Company and each Agent agree that any Notes the placement of which such Agent arranges shall be placed by such Agent, and any Notes purchased by such Agent shall be purchased, in reliance on the representations, warranties, covenants and agreements of the Company contained herein and on the terms and conditions and in the manner provided herein.

SECTION 2. REPRESENTATIONS AND WARRANTIES.

(a) The Company represents and warrants to each Agent as of the date hereof, as of the date of each acceptance by the Company of an offer for the purchase of Notes (whether through any Agent as agent or to any Agent as principal), as of the date of each delivery of Notes (whether through such Agent as agent or to such Agent as principal) (the date of each such delivery to such Agent as principal being hereafter referred to as a "Settlement Date"),

and as of any time that the Registration Statement or the Prospectus shall be amended or supplemented (other than by an amendment or supplement providing solely for a change in the interest rates of Notes or similar changes) or there is filed with the SEC any document incorporated by reference into the Prospectus (other than any Current Report on Form 8-K relating exclusively to the issuance of debt securities under the Registration Statement, unless the

Agents shall otherwise specify) (each of the times referenced above being referred to herein as a "Representation Date") as follows:

(i) DUE INCORPORATION AND QUALIFICATION. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the state of Wisconsin with corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus; and the Company is not required to be qualified as a foreign corporation to transact business in any other jurisdiction.

(ii) SUBSIDIARIES. The Company has no significant subsidiaries, as "significant subsidiary" is defined in Rule 405 of Regulation C of the 1933 Act Regulations.

(iii) REGISTRATION STATEMENT AND PROSPECTUS. At the time the Registration Statement became effective, the Registration Statement complied, and as of the applicable Representation Date will comply, in all material respects, with the requirements of the 1933 Act and the 1933 Act Regulations and the 1939 Act and the rules and regulations of the SEC promulgated thereunder. The Registration Statement, at the time it became effective, did not, and at each time thereafter at which any amendment to the Registration Statement becomes effective or any Annual Report on Form 10-K is filed by the Company with the SEC and as of each Representation Date, will not, contain 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 were made, not misleading. The Prospectus, as of the date hereof does not, and as of each Representation Date will not, contain 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, not misleading; PROVIDED, HOWEVER, that the representations and warranties in this subsection shall not apply to statements in or omissions from (A) the Statement of Eligibility and Qualification (Form T-1) of the Trustee or (B) the Registration Statement or Prospectus made in reliance upon and in conformity with

information furnished to the Company in writing by the Agents expressly for use in the Registration Statement or Prospectus.

(iv) INCORPORATED DOCUMENTS. The documents incorporated by reference in any preliminary prospectus or the Prospectus, at the time they were or hereafter are filed with the SEC, complied or when so filed will comply, as the case may be, in all material respects with the requirements of the 1934 Act and the rules and regulations promulgated thereunder ("1934 Act Regulations"), and, when read together with the other information in the Prospectus, did not and will at all times during the period specified in

Section 4(e) hereof not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were or are made, not misleading.

(v) ACCOUNTANTS. The accountants who issued their reports on the financial statements included or incorporated by reference in the Prospectus are independent public accountants within the meaning of the 1933 Act and the 1933 Act Regulations.

(vi) FINANCIAL STATEMENTS. The financial statements and any supporting schedules of the Company included or incorporated by reference in the Registration Statement and the Prospectus present fairly the financial position of the Company as of the dates indicated and the results of its operations and cash flows for the periods specified; and, except as stated therein, said financial statements have been prepared in conformity with generally accepted accounting principles in the United States applied on a consistent basis; and any supporting schedules included in the Registration Statement present fairly the information required to be stated therein.

(vii) AUTHORIZATION AND VALIDITY OF THIS AGREEMENT, THE INDENTURE AND THE NOTES. This Agreement has been duly authorized and, upon execution and delivery by the Agents, will be a valid and binding agreement of the Company; the Indenture has been duly authorized and constitutes a valid and binding obligation of the Company enforceable in accordance with its terms; the Notes have been duly and validly authorized for issuance, offer and sale pursuant to this Agreement and, when issued, authenticated and delivered pursuant to the provisions of this Agreement and the Indenture against payment of the consideration therefor specified in the Prospectus or pursuant to any Terms Agreement, the Notes will

constitute valid and legally binding obligations of the Company enforceable in accordance with their terms; except as enforcement of the Indenture and the Notes may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting the enforcement of creditors' rights generally and general equitable principles; the Notes and the Indenture will be substantially in the form heretofore delivered to the Agents and conform in all material respects to all statements relating thereto contained in the Prospectus; and the Notes will be entitled to the benefits provided by the Indenture.

(viii) MATERIAL CHANGES OR MATERIAL TRANSACTIONS. Since the respective dates as of which information is given in the Registration Statement and the Prospectus, except as may otherwise be stated therein or contemplated thereby, there has been no material adverse change in the condition, financial or otherwise, of the Company, whether or not arising in the

ordinary course of business.

(ix) NO CONFLICTS. The execution and delivery of this Agreement and the Indenture and the consummation of the transactions contemplated herein, therein and pursuant to any applicable Terms Agreement have been duly authorized by all necessary corporate action and will not conflict with or constitute a breach of, or default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company pursuant to, any contract, indenture, mortgage, loan agreement, note, lease or other instrument to which the Company is a party or by which it may be bound or to which any of the property or assets of the Company is subject, nor will such action result in any violation of the Articles of Incorporation or By-laws, as restated or amended, of the Company or any law, administrative regulation or administrative or court order or decree.

(x) REGULATORY APPROVALS. The Company has made all necessary filings and obtained all necessary consents, orders or approvals from the Federal Energy Regulatory Commission ("FERC") and the Public Service Commission of Wisconsin ("PSCW") in connection with the issuance and sale of the Notes, and no consent, approval, authorization, order or decree of any other court or governmental agency or body is required for the consummation by the Company of the transactions contemplated by this Agreement, except such as may be required under state securities ("Blue Sky") laws.

(b) ADDITIONAL CERTIFICATIONS. Any certificate signed by any director or officer of the Company and delivered to the Agents or to counsel for the Agents in connection with an offering of Notes or the sale of Notes to the Agents as principal shall be deemed a representation and warranty by the Company to the Agents as to the matters covered thereby on the date of such certificate and at each Representation Date subsequent thereto.

SECTION 3. SOLICITATIONS AS AGENTS; PURCHASES AS PRINCIPAL.

(a) SOLICITATIONS AS AGENTS. On the basis of the representations and warranties herein contained, but subject to the terms and conditions herein set forth, each Agent agrees, as the agent of the Company, to use its reasonable efforts to solicit offers to purchase the Notes upon the terms and conditions set forth herein and in the Prospectus.

The Company reserves the right, in its sole discretion, to suspend solicitation of purchases of Notes through any Agent, as agent, commencing at any time for any period of time or permanently. Upon receipt of instructions from the Company, such Agent will forthwith suspend solicitation of purchases from the Company until such time as the Company has advised such Agent that such solicitation may be resumed.

The Company agrees to pay each Agent a commission, in the form of a discount, equal to the applicable percentage of the principal amount of each Note sold by the Company as a result of a solicitation made by such Agent as set forth in Schedule A hereto. The Agents may allow any portion of the commission payable pursuant hereto to dealers or purchasers in connection with the offer and sale of any Notes.

The purchase price, interest rate, maturity date and other terms of the Notes shall be agreed upon by the Company and the Agents and set forth in a pricing supplement to the Prospectus to be prepared following each acceptance by the Company of an offer for the purchase of Notes. Except as may be otherwise provided in such supplement to the Prospectus, the Notes will be issued in denominations of $1,000 or any larger amount that is an integral multiple of $1,000. All Notes sold through any Agent as agent will be sold at 100% of their principal amount unless otherwise agreed to by the Company and such Agent.

(b) PURCHASES AS PRINCIPAL. Each sale of Notes to an Agent as principal shall be made in accordance with the terms contained herein and (unless the Company and such Agent shall otherwise agree) pursuant to a separate agreement which will provide for the sale of such Notes to, and the purchase and reoffering thereof by,

such Agent. Each such separate agreement (which may be an oral agreement) between such Agent and the Company is herein referred to as a "Terms Agreement". Unless the context otherwise requires, each reference contained herein to "this Agreement" shall be deemed to include any applicable Terms Agreement between the Company and such Agent. Each such Terms Agreement, whether oral or in writing, shall be with respect to such information (as applicable) as is specified in Exhibit A hereto. Such Agent's commitment to purchase Notes as principal pursuant to any Terms Agreement or otherwise shall be deemed to have been made on the basis of the representations and warranties of the Company herein contained and shall be subject to the terms and conditions herein set forth. Each Terms Agreement shall specify the principal amount of Notes to be purchased by such Agent pursuant thereto, the price to be paid to the Company for such Notes (which, if not so specified in a Terms Agreement, shall be at a discount equivalent to the applicable commission set forth in Schedule A hereto), the time and place of delivery of and payment for such Notes, any provisions relating to rights of, and default by purchasers acting together with such Agent in the reoffering of the Notes, and such other provisions (including further terms of the Notes) as may be mutually agreed upon. Such Agent may utilize a selling or dealer group in connection with the resale of the Notes purchased. Such Terms Agreement shall also specify the requirements for the officers' certificate, opinions of counsel and comfort letter pursuant to Sections 8(b), 8(c) and 8(d) hereof.

(c) ADMINISTRATIVE PROCEDURES. Administrative procedures with respect to the sale of Notes shall be agreed upon from time to time by the Agents and the

Company (the "Procedures"). The Agents and the Company agree to perform the respective duties and obligations specifically provided to be performed by them in the Procedures.

SECTION 4. COVENANTS OF THE COMPANY.

The Company covenants with the Agents as follows:

(a) RULE 424(B) FILING. Promptly following execution of this Agreement, to cause the Prospectus, including as part thereof a prospectus supplement relating to the Notes, to be filed with, or mailed for filing to, the SEC pursuant to Rule 424(b) under the 1933 Act and the Company will promptly advise the Agents when such filing or mailing has been made. Prior to such filing or mailing, the Company will cooperate with the Agents in the preparation of such supplement to the Prospectus to assure that the Agents have no reasonable objection to the form or content thereof when filed or mailed.

(b) FERC OR PSCW ACTION. To advise the Agents promptly of any additional action by the FERC or PSCW pertaining to the Notes.

(c) COPIES OF 1933 ACT DOCUMENTS. To furnish promptly to each Agent and to counsel for the Agents one signed copy of the Registration Statement as originally filed and each amendment thereto filed prior to the date hereof and relating to the Notes, and a copy of the Prospectus filed with the SEC, including all documents incorporated therein by reference and all consents and exhibits filed therewith.

(d) CONFORMED COPIES. To deliver promptly to the Agents such reasonable number of the following documents as the Agents may request: (i) conformed copies of the Registration Statement (excluding exhibits other than the computation of the ratio of earnings to fixed charges, the Indenture, Administrative Procedures, Interest Calculation Agency Agreement and this Agreement), (ii) the Prospectus and (iii) any documents incorporated by reference in the Prospectus.

(e) REVISIONS OF PROSPECTUS -- MATERIAL CHANGES. Except as otherwise provided in subsection (p) of this Section, if at any time during the term of this Agreement any event shall occur or condition exist as a result of which it is necessary, in the reasonable opinion of counsel for the Agents or counsel for the Company, to further amend or supplement the Prospectus in order that the Prospectus will not include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein not misleading in the light of the circumstances existing at the time the Prospectus is delivered to a Note purchaser, or if it shall be necessary, in the reasonable opinion of either such counsel, to amend or supplement the Registration Statement or the Prospectus in order to comply with the requirements of the 1933 Act or the 1933 Act Regulations, immediate notice shall be given, and confirmed

in writing, to the Agents to cease the solicitation of offers to purchase the Notes in each Agent's capacity as agent and to cease sales of any Notes any Agent may then own as principal pursuant to a Terms Agreement, and the Company will promptly prepare and file with the SEC such amendment or supplement, whether by filing documents pursuant to the 1934 Act, the 1933 Act or otherwise, as may be necessary to correct such untrue statement or omission or to make the Registration Statement and Prospectus comply with such requirements.

(f) NOTICES TO AGENTS. To advise the Agents promptly during the term of this Agreement, (i) when any post-effective amendment to the Registration Statement becomes effective, (ii) of any request or proposed request by the SEC for an amendment or

supplement to the Registration Statement, to the Prospectus, to any document incorporated by reference in any of the foregoing or for any additional information, (iii) of the issuance by the SEC of any stop order suspending the effectiveness of the Registration Statement or any order directed to the Prospectus or any document incorporated therein by reference or the initiation or threat of any stop order proceeding or of any challenge by the SEC to the accuracy or adequacy of any document incorporated by reference in the Prospectus, (iv) of receipt by the Company of any notification with respect to the suspension of the qualification of the Notes for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose and (v) of the happening of any event which makes untrue any statement of a material fact made in the Registration Statement (insofar as the Registration Statement relates to or covers the Notes) or the Prospectus or which requires the making of a change in the Registration Statement or the Prospectus in order to make any material statement therein not misleading.

(g) PREPARATION OF PRICING SUPPLEMENTS. The Company will prepare, with respect to any Notes to be sold through or to any of the Agents pursuant to this Agreement, a Pricing Supplement with respect to such Notes in a form previously approved by the Agents and will file timely such Pricing Supplement pursuant to Rule 424(b)(3) under the 1933 Act.

(h) PROSPECTUS REVISIONS -- PERIODIC FINANCIAL INFORMATION. Except as otherwise provided in subsection (p) of this Section, on or prior to the date on which there shall be released to the general public interim financial statement information related to the Company with respect to each of the first three quarters of any fiscal year or preliminary financial statement information with respect to any fiscal year, the Company shall furnish such information to the Agents, confirmed in writing, and shall cause the Prospectus to be amended or supplemented to include or

incorporate by reference financial information with respect thereto and corresponding information for the comparable period of the preceding fiscal year, as well as such other information and explanations as shall be

necessary for an understanding thereof or as shall be required by the 1933 Act or the 1933 Act Regulations.

(i) PROSPECTUS REVISIONS -- AUDITED FINANCIAL INFORMATION. Except as otherwise provided in subsection (p) of this Section, on or prior to the date on which there shall be released to the general public financial information included in or derived from the audited financial statements of the Company for the preceding fiscal year, the Company shall cause the Registration Statement and the Prospectus to be amended, whether by the filing of documents pursuant to the 1934 Act, the 1933 Act or otherwise, to include or

incorporate by reference such audited financial statements and the report or reports, and consent or consents to such inclusion or incorporation by reference, of the independent accountants with respect thereto, as well as such other information and explanations as shall be necessary for an understanding of such financial statements or as shall be required by the 1933 Act or the 1933 Act Regulations.

(j) STOP ORDER. If, during the term of this Agreement, the SEC shall issue a stop order suspending the effectiveness of the Registration Statement, to make every reasonable effort to obtain the lifting of that order at the earliest possible time.

(k) EARNINGS STATEMENT. As soon as practicable, to make generally available to its security holders and to deliver to the Agents an earnings statement, conforming with the requirements of Section 11(a) of the 1933 Act and Rule 158 of the 1933 Act Regulations, covering a period of at least twelve months beginning after the effective date of the Registration Statement as defined in Rule 158(c) of the 1933 Act Regulations.

(l) SHAREHOLDER AND OTHER REPORTS. During the period of five years hereafter, or such lesser period as any of the Notes shall be outstanding, to furnish to the Agents, (i) as soon as available, a copy of each report of the Company mailed to its shareholders or report filed by the Company with the SEC and (ii) from time to time such other information concerning the Company as the Agents may reasonably request.

(m) BLUE SKY QUALIFICATIONS. The Company will endeavor, in cooperation with the Agents, to qualify the Notes for offering and sale under the applicable securities laws of such states and other jurisdictions of the United States as the Agents may designate, and will maintain such qualifications in effect for as long as may be required for the distribution of the Notes; provided, however, that the Company shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation in any jurisdiction in which

it is not so qualified. The Company will file such statements and reports as may be required by the laws of each jurisdiction in which the Notes have been qualified as above provided. The Company will promptly advise the Agents of the receipt by the Company of any notification with respect to the suspension of the qualification of the Notes for sale in any such state or jurisdiction or the initiating or threatening of any proceeding for such purpose.

(n) 1934 ACT FILINGS. The Company, during the period when the Prospectus is required to be delivered under the 1933 Act, will

file promptly all documents required to be filed with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the 1934 Act.

(o) STAND-OFF AGREEMENT. If required pursuant to the terms of a Terms Agreement, between the date of any Terms Agreement and the Settlement Date with respect to such Terms Agreement, the Company will not, without the prior consent of the Agents, offer or sell, or enter into any agreement to sell, any debt securities of the Company (other than the Notes that are to be sold pursuant to such Terms Agreement and commercial paper in the ordinary course of business).

(p) SUSPENSION OF CERTAIN OBLIGATIONS. The Company shall not be required to comply with the provisions of subsections (e), (h) or (i) of this Section during any period from the time (i) the Agents shall have suspended solicitation of purchases of the Notes in their capacity as agents pursuant to a request from the Company and (ii) the Agents shall not then hold any Notes as principal purchased pursuant to a Terms Agreement, to the time the Company shall determine that solicitation of purchases of the Notes should be resumed or shall subsequently enter into a new Terms Agreement with an Agent.

(q) CONDITION TO AGENCY TRANSACTIONS. Any person who has agreed to purchase Notes as the result of an offer to purchase solicited by an Agent shall have the right to refuse to purchase and pay for such Notes if, on the related settlement date fixed pursuant to the Procedures, (i) there has been, since the date on which such person agreed to purchase the Notes (the "Trade Date"), or since the respective dates as of which information is given in the Registration Statement, any material adverse change in the condition, financial or otherwise, of the Company, whether or not arising in the ordinary course of business, or (ii) there shall have occurred any outbreak or escalation of major hostilities in which the United States is involved or any other substantial national or international calamity or crisis the effect of which is such as to make it, in the judgment of such person, impracticable or inadvisable to purchase the Notes, or (iii) trading in any securities of the Company has been suspended by the SEC or a national securities exchange or the National Association of Securities Dealers Automated Quotation System ("NASDAQ") National Market, or if trading generally on the New York Stock Exchange shall have been suspended, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices for securities have been required, by said exchange or by order of the SEC or any

other governmental authority, or if a banking moratorium shall have been declared by either Federal or New York authorities, or (iv) the rating assigned by any "nationally recognized statistical rating organization" (as defined for purposes of Rule 436(g) of the 1933

Act), to any debt securities of the Company as of the Trade Date shall have been lowered since that date or if any such organization shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of any debt securities of the Company.

(r) COSTS. To pay all costs incident to the authorization, issuance, sale and delivery of the Notes; the costs incident to the preparation, printing and filing under the 1933 Act of the Registration Statement and the Prospectus and any amendments, supplements and exhibits thereto; the costs incident to the preparation, printing and filing of the documents and any amendments and exhibits thereto required to be filed by the Company under the 1934 Act; the costs of distributing the Registration Statement as originally filed and each amendment and post-effective amendment thereof (including exhibits), any preliminary prospectus, the Prospectus and any documents incorporated by reference in any of the foregoing documents; the costs of printing this Agreement, the Indenture, Administrative Procedures, Interest Calculation Agency Agreement and any Terms Agreement; fees paid to rating agencies in connection with the rating of the Notes; the fees and expenses of qualifying the Notes under the securities laws of the several jurisdictions as provided in subsection (m) of this Section and of preparing and printing a Blue Sky Memorandum (including fees of counsel to the Agents not to exceed $_____ in the aggregate); the reasonable fees and expenses of counsel for the Agents; and all other costs and expenses incident to the performance of the Company's obligations under this Agreement; PROVIDED that, except as provided in this Section 4(r),the Agents shall pay their own costs and expenses, any transfer taxes on the Notes purchased as principal which they may sell and the expenses of advertising any offering of the Notes made by the Agents.

SECTION 5. CONDITIONS OF OBLIGATIONS.

The obligations of each Agent to solicit offers to purchase Notes as agent of the Company, the obligations of any purchasers of Notes sold through such Agent as agent, and any obligation of such Agent to purchase Notes pursuant to a Terms Agreement or otherwise will be subject to the accuracy of the representations and warranties on the part of the Company herein and to the accuracy of the statements of the Company's officers made in any certificate furnished pursuant to the provisions hereof, to the performance and observance by the Company of all of its covenants and agreements herein contained and to each of the following additional terms and conditions:

(a) NO STOP ORDER. No stop order suspending the effectiveness of the Registration Statement nor any order directed to any document incorporated by reference in the Prospectus shall have been issued and prior to that time no stop order proceeding shall have been initiated or threatened by the SEC and no challenge shall have been made by the SEC to the accuracy or adequacy of any document incorporated by reference in the Prospectus; any request of the SEC for inclusion of additional information in the Registration Statement or the Prospectus or otherwise shall have been complied with and there shall be no material adverse change in the condition, financial or otherwise, of the Company, whether or not arising in the ordinary course of business.

(b) LEGAL MATTERS. All corporate proceedings and other legal matters incident to the authorization, form and validity of this Agreement, the Indenture, any Terms Agreement, the Notes, the form of the Registration Statement, the Prospectus and all other legal matters relating to this Agreement and the transactions contemplated hereby shall be satisfactory in all respects to _____, counsel for the Agents, and the Company shall have furnished to such counsel all documents and information that they may reasonably request to enable them to pass upon such matters, it being understood that such counsel shall not be required to pass on any financial statements, financial data, statistical data and supporting schedules included in the Prospectus.

(c) OPINION OF COMPANY COUNSEL. Stafford, Rosenbaum, Rieser & Hansen, counsel to the Company, shall have furnished to the Agents a letter addressed to the Agents and dated the date hereof stating their opinion to the effect that:

(i) the Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Wisconsin, with corporate authority to own and operate its properties, and valid franchises, licenses and permits adequate for the conduct of its business, as described in the Prospectus;

(ii) this Agreement and each Terms Agreement, if any, has been duly authorized, executed and delivered by the Company;

(iii) the Indenture is in due and proper form, has been duly and validly authorized by the necessary corporate action, has been duly and validly executed and delivered and is a valid instrument legally binding on the Company, except as enforcement thereof may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other similar laws relating to or affecting enforcement of

creditors' rights generally or by general equitable principles;

(iv) the Notes are in due and proper form; the issue and sale of the Notes by the Company in accordance with the terms of this Agreement have

been duly and validly authorized by the necessary corporate action; the Notes, when duly executed (which execution may include facsimile signatures of officers of the Company), authenticated and delivered to the purchasers or to an Agent pursuant to any Terms Agreement, against payment of the agreed consideration therefor, will constitute legal, valid and binding obligations of the Company enforceable in accordance with their terms, except as enforcement thereof may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting enforcement of creditors' rights generally or by general equitable principles; and each holder of Notes will be entitled to the benefits of the Indenture;

(v) the Notes, the Indenture and any Terms Agreement conform as to legal matters with the statements concerning them made in the Prospectus, and such statements accurately set forth the matters respecting the Notes, the Indenture and the Terms Agreement required to be set forth in the Prospectus;

(vi) the Indenture is qualified under the 1939 Act;

(vii) the orders of the FERC and the PSCW referred to in Section 2(a)(x) hereof pertaining to the Notes have been duly entered and, to the best of the knowledge of such counsel, are still in force and effect; and no further approval, authorization, consent, certificate or order of any state or federal commission or regulatory authority (other than in connection or compliance with the provisions of the securities or Blue Sky laws of any jurisdiction) is necessary with respect to the issue and sale of the Notes as contemplated by this Agreement;

(viii) the Registration Statement has become effective under the 1933 Act and, to the best of the knowledge of such counsel, 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 threatened under the 1933 Act;

(ix) the Registration Statement and the Prospectus and each amendment or supplement thereto comply as to form in all

material respects with the requirements of the 1933 Act and the 1933 Act Regulations (except that such counsel need express no opinion as to the financial statements, financial data, statistical data or supporting schedules contained therein);

(x) such counsel does not know of any legal or governmental proceeding required to be described in the Prospectus which is not described as required, or of any contract or document of a character required to be described or incorporated in the Registration Statement or the Prospectus

or to be filed as an exhibit to the Registration Statement which is not described, incorporated or filed as required;

(xi) neither the execution and delivery of this Agreement and the Indenture nor the issuance and sale of the Notes in accordance with the terms of this Agreement or applicable Terms Agreement nor the consummation of the transactions therein contemplated, nor compliance with the terms and provisions thereof, will conflict with, violate or result in a breach of any law, any administrative regulation or any court decree known to such counsel to be applicable to the Company, conflict with or result in a breach of any of the terms, conditions or provisions of the Articles of Incorporation or the By-laws, as restated or amended, of the Company or of any material agreement or instrument known to such counsel to which the Company is a party or by which the Company is bound or constitute a default thereunder, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Company;

(xii) the documents referred to in Section 2(a)(iv) hereof, as of their respective filing dates, complied as to form in all material respects with the applicable requirements of the 1934 Act and the 1934 Act Regulations (except that such counsel do not need to express any opinion as to the financial statements, financial data, statistical data or supporting schedules contained therein);

(xiii) any statements made in the Prospectus which are stated therein to have been made on the authority of such counsel have been reviewed by them and, as to matters of law and legal conclusion, are correct; and

(xiv) except as set forth in the Prospectus, to the best knowledge of such counsel there are no pending or threatened legal or administrative proceedings to which the Company is a

party or in which any of its property is the subject wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by this Agreement or any Terms Agreement or the validity or enforceability against the Company of this Agreement or any Terms Agreement, the Indenture or the Notes;

and such letter shall additionally state that nothing has come to the attention of such counsel that would lead them to believe that the Registration Statement (other than the financial statements, financial data, statistical data and supporting schedules included therein, as to which they do not need to express any belief), at the time it became effective, and if an amendment to the Registration Statement or an Annual Report on Form 10-K has been filed by the Company with the SEC subsequent to the effectiveness of the Registration Statement, then at the time such amendment became effective or at the time of

the most recent such filing, and at the date hereof, or (if such opinion is being delivered in connection with a Terms Agreement pursuant to Section 3(b) hereof) at the date of any Terms Agreement and at the Settlement Date with respect thereto as the case may be, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectus (other than the financial statements, financial data, statistical data and supporting schedules included therein, as to which they do not need to express any belief) as amended or supplemented at the date hereof, or (if such opinion is being delivered in connection with a Terms Agreement pursuant to Section 3(b) hereof) at the date of any Terms Agreement and at the Settlement Date with respect thereto, as the case may be, contained or contains any untrue statement of a material fact or omitted 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.

(d) OPINION OF COMPANY SPECIAL COUNSEL. Sidley & Austin, special counsel to the Company, shall have furnished to the Agents a letter addressed to the Agents and dated the date hereof stating in their opinion substantially to the effect set forth in clauses (ii), (iii), (iv), (v), (vi), (vii), (viii) and (ix) of paragraph (c) of this Section 5 and to the further effect that:

(i) the Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Wisconsin, with corporate authority to own and operate its properties as described in the Prospectus; and

(ii) neither the execution and delivery of this Agreement and the Indenture nor the issuance and sale of the Notes in accordance with the terms of this Agreement or Terms Agreements nor the consummation of the transactions therein contemplated, nor compliance with the terms and provisions thereof, will conflict with, violate or result in a breach of any of the terms, conditions or provisions of Articles of Incorporation or By-laws, as restated or amended, of the Company, or of any material agreement or instrument known to such counsel to which the Company is a party or by which the Company is bound or constitute a default thereunder;

and such letter shall additionally state that nothing has come to the attention of such counsel that would lead them to believe that the Registration Statement (other than the financial statements, financial data, statistical data and supporting schedules included therein, as to which they do not need to express any belief), at the time it became effective, and if an amendment to the Registration Statement or an Annual Report on Form 10-K has been filed by the Company with the SEC subsequent to the effectiveness of the Registration Statement, then at the time such amendment became effective or at the time of the most recent such filing, and at the date hereof, or (if such opinion is being delivered in connection with a Terms Agreement pursuant to Section 3(b)

hereof) at the date of any Terms Agreement and at the Settlement Date with respect thereto as the case may be, contains or contained an untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectus (other than the financial statements, financial data, statistical data and supporting schedules included therein, as to which they do not need to express any belief) as amended or supplemented at the date hereof, or (if such opinion is being delivered in connection with a Terms Agreement pursuant to Section 3(b) hereof) at the date of any Terms Agreement and at the Settlement Date with respect thereto, as the case may be, contains or contained any untrue statement of a material fact or omitted 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.

For the purpose of rendering the foregoing opinions, Sidley & Austin may rely exclusively upon the opinion Stafford, Rosenbaum, Rieser & Hansen, counsel for the Company, delivered to the Agents pursuant to paragraph (c) of this Section 5 as to the organization of the Company and as to all other matters of Wisconsin law and upon the factual representations made in this Agreement and upon certificates of officers of the Company and public officials.

(e) OFFICERS' CERTIFICATE. The Company shall have furnished to the Agents on the date hereof a certificate, dated the date hereof, of its Chairman of the Board, its President or a Vice President and its Treasurer or an Assistant Treasurer stating that, to the best of their knowledge after reasonable investigation, the representations and warranties of the Company in Section 2 hereof are true and correct as of the date hereof; the Company has complied with all its agreements contained herein; and the conditions set forth in Sections 5(a), 5(h), 5(i)and 5(j) hereof have been fulfilled.

(f) COMFORT LETTER. On the date hereof, the Agents shall have received a letter from PricewaterhouseCoopers LLP dated as of the date hereof and in form and substance satisfactory to the Agents, to the effect that:

(i) They are independent public accountants with respect to the Company within the meaning of the 1933 Act and the 1933 Act Regulations;

(ii) In their opinion, the financial statements and supporting schedule(s) of the Company audited by them and included or incorporated by reference in the Registration Statement comply as to form in all material respects with the applicable accounting requirements of the 1933 Act and the 1933 Act Regulations with respect to registration statements on Form S-3 and the 1934 Act and the 1934 Act Regulations;

(iii) They have performed specified procedures, not constituting an audit, including a reading of the latest available interim financial statements of the Company, a reading of the minute books of the Company

since the end of the most recent fiscal year with respect to which an audit report has been issued, inquiries of and discussions with certain officials of the Company responsible for financial and accounting matters with respect to the unaudited consolidated financial statements of the Company included in the Registration Statement and Prospectus and the latest available interim unaudited financial statements of the Company, and such other inquiries and procedures as may be specified in such letter, and on the basis of such inquiries and procedures nothing came to their attention that caused them to believe that: (A) the unaudited consolidated financial statements of the Company included in the Registration Statement and Prospectus do not comply as to form in all material respects with the applicable accounting requirements of the 1934 Act and the 1934 Act Regulations or were not fairly presented in conformity with generally accepted accounting principles in the United States applied on a basis substantially consistent

with that of the audited financial statements included therein, or (B) at a specified date not more than five days prior to the date of such letter, there was any change in the capital stock or any increase in long-term debt of the Company or any decrease in the common shareholders' equity of the Company other than for the declaration of regular quarterly dividends, in each case as compared with the amounts shown on the most recent balance sheet of the Company included in the Registration Statement and Prospectus or, during the period from the date of such balance sheet to a specified date not more than five days prior to the date of such letter, there were any decreases, as compared with the corresponding period in the preceding year, in operating revenues or net income of the Company, except in each such case as set forth in or contemplated by the Registration Statement and Prospectus or except for such exceptions (e.g. inability to determine such decreases because of insufficient accounting information available after the date of such most recent balance sheet) enumerated in such letter as shall have been agreed to by the Agents and the Company; and

(iv) In addition to the examination referred to in their report included or incorporated by reference in the Registration Statement and the Prospectus, and the limited procedures referred to in clause (iii) above, they have carried out certain other specified procedures, not constituting an audit, with respect to certain amounts, percentages and financial information which are included or incorporated by reference in the Registration Statement and Prospectus and which are specified by the Agents, and have found such amounts, percentages and financial information to be in agreement with the relevant accounting, financial and other records of the Company identified in such letter.

(g) OPINION OF AGENTS' COUNSEL. Jones, Day, Reavis & Pogue, Chicago, Illinois, as counsel for the Agents, shall have furnished to the Agents on the

date hereof such opinions with respect to the validity of the Notes and with respect to the Registration Statement, the Prospectus, and other related matters as the Agents may reasonably require.

(h) FERC AND PSCW ORDERS. The orders of the FERC and PSCW referred to in Section 2(a)(x) hereof shall be in full force and effect and no proceedings to suspend the effectiveness of either such order shall be pending or threatened.

(i) RATINGS. Subsequent to the execution of this Agreement, there shall not have been any decrease in the ratings of any of the

Company's debt securities by Standard & Poor's Rating Service or Moody's Investors Service Inc.

(j) NO MATERIAL ADVERSE CHANGE. Subsequent to the date of the most recent financial statements incorporated by reference in the Prospectus, there shall have been no material adverse change in the condition (financial or otherwise), of the Company, except as set forth in the Registration Statement and the Prospectus, including the documents incorporated by reference therein, as of the effective date of this Agreement.

(k) OTHER DOCUMENTS. On the date hereof and on each Settlement Date with respect to any applicable Terms Agreement, counsel to the Agents shall have been furnished with such documents and opinions as such counsel may reasonably require for the purpose of enabling such counsel to pass upon the issuance and sale of Notes as herein contemplated and related proceedings, or in order to evidence the accuracy and completeness of any of the representations and warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Company in connection with the issuance and sale of Notes as herein contemplated shall be satisfactory in form and substance to the Agents and to counsel to the Agents.

If any condition specified in this Section 5 shall not have been fulfilled when and as required to be fulfilled, this Agreement (or, at the option of the Agents, any applicable Terms Agreement) may be terminated by the Agents by written notice to the Company at any time and any such termination shall be without liability of any party to any other party, except that the covenant regarding provision of an earnings statement set forth in Section 4(k) hereof, the provisions concerning payment of expenses under Section 4(r) hereof, the indemnity and contribution agreement set forth in Section 9 hereof, the provisions concerning the representations, warranties and agreements to survive delivery in Section 10 hereof and the provisions set forth under "Parties" of Section 14 hereof shall remain in effect.

SECTION 6. CONDITIONS TO THE OBLIGATIONS OF THE COMPANY.

The obligations of the Company to sell and deliver the Notes are subject to

the following conditions precedent:

(a) NO STOP ORDER. At or before the date hereof, no stop order suspending the effectiveness of the Registration Statement nor any order directed to any document incorporated by reference in the Prospectus shall have been issued and prior to that time no stop order proceeding shall have been initiated or threatened by the SEC and no challenge shall have

been made by the SEC to the accuracy or adequacy of any document incorporated by reference in the Prospectus; any request of the SEC for inclusion of additional information in the Registration Statement or the Prospectus or otherwise shall have been complied with.

(b) FERC AND PSCW ORDERS. The orders of the FERC and the PSCW referred to in Section (2)(a)(x) hereof shall be in full force and effect and no proceeding to suspend the effectiveness of either such order shall be pending or threatened.

In case any of the conditions specified above in this Section 6 shall not have been fulfilled on the date hereof, this Agreement may be terminated by the Company by delivering written notice of termination to the Agents. Any such termination shall be without liability of any party to any other party except to the extent provided in Section 4(r), and Section 9 hereof.

SECTION 7. DELIVERY OF AND PAYMENT FOR NOTES SOLD THROUGH THE AGENTS.

Delivery of Notes sold through any Agent as agent shall be made by the Company to such Agent for the account of any purchaser only against payment therefor in immediately available funds. In the event that a purchaser shall fail either to accept delivery of or to make payment for a Note on the date fixed for settlement, such Agent shall promptly notify the Company and deliver the Note to the Company, and, if such Agent has theretofore paid the Company for such Note, the Company will promptly return such funds to such Agent. If such failure occurred for any reason other than default by such Agent in the performance of its obligations hereunder, the Company will reimburse such Agent on an equitable basis for its loss of the use of the funds for the period such funds were credited to the Company's account.

SECTION 8. ADDITIONAL COVENANTS OF THE COMPANY.

The Company covenants and agrees with each Agent that:

(a) REAFFIRMATION OF REPRESENTATIONS AND WARRANTIES. Each acceptance by the Company of an offer for the purchase of Notes, and each delivery of Notes to an Agent pursuant to a Terms Agreement, shall be deemed to be an affirmation by the Company that the representations and warranties of the Company contained in this Agreement and in any certificate theretofore delivered to such Agent

pursuant hereto are true and correct at the

time of such acceptance or sale, as the case may be, and an undertaking that such representations and warranties will be true and correct at the time of delivery to the purchaser or the agent of such purchaser, or to such Agent, of the Note or Notes relating to such acceptance or sale, as the case may be, as though made at and as of each such time (and it is understood that such representations and warranties shall relate to the Registration Statement and Prospectus as amended and supplemented to each such time).

(b) SUBSEQUENT DELIVERY OF CERTIFICATES. Each time that the Registration Statement or the Prospectus shall be amended or supplemented (other than by an amendment or supplement providing solely for a change in the interest rates of Notes or similar changes, and, unless the Agents shall otherwise specify, other than by an amendment or supplement which relates exclusively to an offering of securities other than the Notes) or there is filed with the SEC any document incorporated by reference into the Prospectus (other than any Current Report on Form 8-K relating exclusively to the issuance of securities other than Notes under the Registration Statement, unless the Agents shall otherwise specify) or (if required pursuant to the terms of a Terms Agreement) the Company sells Notes to an Agent pursuant to a Terms Agreement, the Company shall furnish or cause to be furnished to such Agent forthwith a certificate dated the date of filing with the SEC of such supplement or document, the date of effectiveness of such amendment, or the date of such sale, as the case may be, in form satisfactory to such Agent to the effect that the statements contained in the certificate referred to in Section 5(e) hereof which was last furnished to such Agent are true and correct at the time of such amendment, supplement, filing or sale, as the case may be, as though made at and as of such time (except that such statements shall be deemed to relate to the Registration Statement and the Prospectus as amended and supplemented to such time) or, in lieu of such certificate, a certificate of the same tenor as the certificate referred to in said Section 5(e), modified as necessary to relate to the Registration Statement and the Prospectus as amended and supplemented to the time of delivery of such certificate.

(c) SUBSEQUENT DELIVERY OF LEGAL OPINIONS. Each time that the Registration Statement or the Prospectus shall be amended or supplemented (other than by an amendment or supplement providing solely for a change in the interest rates of Notes or similar changes or solely for the inclusion of additional financial information, and, unless the Agents shall otherwise specify, other than by an amendment or supplement which relates exclusively to an offering of securities other than Notes) or there is filed with the SEC any document incorporated by reference into the Prospectus (other than any Current Report on Form 8-K or Quarterly Report on Form 10-Q, unless the Agents shall otherwise specify), or (if required pursuant to the terms of a Terms Agreement) the Company

sells Notes to an Agent pursuant to a Terms Agreement, the Company shall furnish or cause to be furnished forthwith to such Agent and to counsel to the Agents written opinion of Stafford, Rosenbaum, Rieser & Hansen, counsel to the Company, or other counsel satisfactory to such Agent, dated the date of filing with the SEC of such supplement or document, the date of effectiveness of such amendment, or the date of such sale, as the case may be, in form and substance satisfactory to such Agent, of the same tenor as the opinion referred to in Section 5(c) hereof, but modified, as necessary, to relate to the Registration Statement and the Prospectus as amended and supplemented to the time of delivery of such opinion; or, in lieu of such opinion, counsel last furnishing such opinion to the Agents shall furnish such Agent with a letter to the effect that such Agent may rely on such last opinion to the same extent as though it was dated the date of such letter authorizing reliance (except that statements in such last opinion shall be deemed to relate to the Registration Statement and the Prospectus as amended and supplemented to the time of delivery of such letter authorizing reliance).

(d) SUBSEQUENT DELIVERY OF COMFORT LETTERS. Each time that the Registration Statement or the Prospectus shall be amended or supplemented to include additional financial information or there is filed with the SEC any document incorporated by reference into the Prospectus which contains additional financial information or, (if required pursuant to the terms of a Terms Agreement) the Company sells Notes to an Agent pursuant to a Terms Agreement, the Company shall cause PricewaterhouseCoopers LLP forthwith to furnish such Agent a letter, dated the date of effectiveness of such amendment, supplement or document with the SEC , or the date of such sale, as the case may be, in form satisfactory to such Agent, of the same tenor as the portions of the letter referred to in clauses (i) and (ii) of Section 5(f) hereof but modified to relate to the Registration Statement and Prospectus, as amended and supplemented to the date of such letter, and of the same general tenor as the portions of the letter referred to in clauses (iii) and (iv) of said Section 5(f) with such changes as may be necessary to reflect changes in the financial statements and other information derived from the accounting records of the Company; PROVIDED, HOWEVER, that if the Registration Statement or the Prospectus is amended or supplemented solely to include financial information as of and for a fiscal quarter, PricewaterhouseCoopers LLP may limit the scope of such letter to the unaudited financial statements included in such amendment or supplement unless any other information included therein of an accounting, financial or statistical nature is of such a nature that, in the reasonable judgment of such Agent, such letter should cover such other information.

SECTION 9. INDEMNIFICATION.

(a) INDEMNIFICATION OF THE AGENTS. The Company agrees to indemnify and

hold harmless each Agent and each person, if any, who controls such Agent within the meaning of Section 15 of the 1933 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 (or any amendment thereto), or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading or arising out of any untrue statement or alleged untrue statement of a material fact contained in the Prospectus (or any amendment or supplement thereto) or the omission or alleged omission therefrom of a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, 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 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 any such alleged untrue statement or omission, if such settlement is effected with the written consent of the Company; and

(iii) against any and all expense whatsoever, as incurred, (including, subject to Section 9(c) hereof, the fees and disbursements of counsel) reasonably incurred in investigating, preparing or defending against any litigation, or 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 any such 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 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 Company by each Agent expressly for use in the Registration Statement (or any amendment thereto) or any preliminary prospectus or the Prospectus (or any amendment or supplement thereto); and PROVIDED, FURTHER, that this indemnity agreement with respect to any preliminary prospectus shall not

inure to the benefit of the Agent from whom the person asserting any such losses, liabilities, claims, damages or expenses purchased Notes, or any person controlling such Agent, if a copy of the Prospectus provided to such Agent by the Company (as then amended or supplemented if the Company shall have furnished any such amendment or supplement thereto, but excluding documents incorporated or deemed to be incorporated by reference therein) was not sent or given by or on behalf of such Agent to such person, if such is

required by law, at or prior to the written confirmation of the sale of such Notes to such person and if the Prospectus (as so amended or supplemented, but excluding documents incorporated or deemed to be incorporated by reference therein) would have corrected the defect giving rise to such loss, liability, claim, damage or expense, it being understood that this proviso shall have no application if such defect shall have been corrected in a document which is incorporated or deemed to be incorporated by reference in the Prospectus.

(b) INDEMNIFICATION OF THE COMPANY. Each Agent agrees to indemnify and hold harmless the Company, its directors, each of its officers who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act against any and all loss, liability, claim, damage and expense described in the indemnity contained in subsection (a) of this Section, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Registration Statement (or any amendment thereto) 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 such Agent expressly for use in the Registration Statement (or any amendment thereto) or such preliminary prospectus or the Prospectus (or any amendment or supplement thereto).

(c) GENERAL. Each indemnified party shall give prompt notice to each indemnifying party of any action commenced against it in respect of which indemnity may be sought hereunder, but failure so to 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 such action. In no event shall the indemnifying parties be liable for the fees and expenses of more than one counsel (in addition to any local 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.

The indemnifying party shall be entitled to appoint counsel of the indemnifying party's choice at the indemnifying party's expense to represent the indemnified party in any action for which indemnification is sought (in which case the indemnifying party shall not thereafter be responsible for the fees and expenses of any separate counsel retained by the indemnified party or parties except as set forth below); provided, however, that such counsel shall be reasonably satisfactory to the indemnified party. Notwithstanding the indemnifying party's election to appoint counsel to represent the indemnified party in an action, the indemnified party shall have the right to employ separate counsel (including local counsel), and the indemnifying party shall bear the reasonable fees, costs and expenses of such separate counsel if (i) counsel for the indemnified party concludes that the use of counsel chosen by

the indemnifying party to represent the indemnified party would present such counsel with a conflict of interest, (ii) the actual or potential defendants in, or targets of, any such action include both the indemnified party and the indemnifying party and the indemnified party shall have been advised by counsel that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, (iii) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of the institution of such action or (iv) the indemnifying party shall authorize the indemnified party to employ separate counsel at the expense of the indemnifying party.

(d) CONTRIBUTION. If the indemnification provided for in this Section is unavailable to an indemnified party or insufficient in respect of any losses, claims, damages or liabilities referred to herein, then each indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and each Agent on the other from the sale to or through each Agent of the Notes or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and of each Agent on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations; provided, however, that in no case shall any Agent be responsible for any amount in excess of the total underwriting discounts and commission received by such Agent in connection with the sale of the Notes to or through such Agent.

The relative benefits received by the Company on the one hand and each Agent on the other in connection with the sale of the Notes shall be deemed to be in the same proportion as the total commissions and underwriting discounts received by such Agent to the date of such liability bear to the total sales price from the sale of Notes to or through such Agent to the date of such liability. The relative fault of the Company on the one hand and of each Agent on the other 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 relates to information supplied by the Company or by such Agent and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company and the Agents agree that it would not be just and equitable if contribution pursuant to this Section were determined by pro rata allocation or by any other method of allocation which does not take account of the considerations referred to in the immediately preceding paragraph. The amount

paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, 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, no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

For purposes of this Section, each person, if any, who controls an Agent within the meaning of Section 15 of the 1933 Act shall have the same rights to contribution as such Agent, and each director of the Company and each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of 1933 Act, shall have the same rights to contribution as the Company.

SECTION 10. REPRESENTATIONS, WARRANTIES AND AGREEMENTS TO SURVIVE DELIVERY.

All representations, warranties and agreements contained in this Agreement or in certificates of officers of the Company submitted pursuant hereto or thereto, shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of an Agent or any controlling person of such Agent, or by or on behalf of the Company, and shall survive each delivery of and payment for any of the Notes.

SECTION 11. TERMINATION.

(a) TERMINATION OF THIS AGREEMENT. This Agreement (excluding any Terms Agreement) may be terminated for any reason, at any time by either the Company or the Agents upon the giving of 30 days' written notice of such termination to the other party hereto.

(b) TERMINATION OF A TERMS AGREEMENT. An Agent may terminate any Terms Agreement, immediately upon notice to the Company, at any time prior to the Settlement Date relating thereto (i) if there has been, since the date of such Terms Agreement or since the respective dates as of which information is given in the Registration Statement, any material adverse change in the condition, financial or otherwise, of the Company, whether or not arising in the ordinary course of business, or (ii) if there shall have occurred any outbreak or escalation of major hostilities in which the United States is involved or any other substantial national or international calamity or crisis the effect of which is such as to make it, in the judgment of such Agent, impracticable or inadvisable to market Notes or enforce contracts for the sale of Notes, or (iii) if trading in any securities of the Company has been suspended by the SEC or a national securities exchange or in the NASDAQ National Market, or if trading generally on the New York Stock Exchange shall have been suspended, or minimum

or maximum prices for trading have been fixed, or maximum ranges for prices for securities have been required, by said exchange or by order of the SEC or any other governmental authority, or if a banking moratorium shall have been declared by either Federal or New York authorities, or (iv) if the rating assigned by any "nationally recognized statistical rating organization" (as defined for purposes of Rule 436(g) of the 1933 Act) to any debt securities of the Company as of the date of any applicable Terms Agreement shall have been lowered since that date or if any such organization shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of any debt securities of the Company, or (v) if there shall have come to such Agent's attention any facts that would cause such Agent to believe that the Prospectus, at the time it was required to be delivered to a purchaser of Notes, contained an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in light of the circumstances existing at the time of such delivery, not misleading.

(c) GENERAL. In the event of any such termination, neither party will have any liability to the other party hereto, except that (i) an Agent shall be entitled to any commission earned in accordance with the third paragraph of Section 3(a) hereof, (ii) if at the time of termination (a) an Agent shall own any Notes purchased pursuant to a Terms Agreement with the intention of

reselling them or (b) an offer to purchase any of the Notes has been accepted by the Company but the time of delivery to the purchaser or his agent of the Note or Notes relating thereto has not occurred, the covenants set forth in Sections 4 and 7 hereof shall remain in effect until such Notes are so resold or delivered, as the case may be, and (iii) the covenant set forth in Section 4(r) hereof, the indemnity and contribution agreements set forth in Section 9 hereof, and the provisions of Sections 4(r), 10 and 14 hereof shall remain in effect.

SECTION 12. NOTICES.

Unless otherwise provided herein, all notices required under the terms and provisions hereof shall be in writing, either delivered by hand, by mail or by telex, telecopier or telegram, and any such notice shall be effective when received at the address specified below.

If to the Company:

Madison Gas and Electric Company
133 South Blair Street
Madison, Wisconsin 53703
Attention: Treasurer
Fax: 608-252-1540

If to the Agents:

or at such other address as such party or parties may designate from time to time by notice duly given in accordance with the terms of this Section 12.

SECTION 13. GOVERNING LAW.

This Agreement and all the rights and obligations of the parties 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 the State of New York. Any suit, action or proceeding brought by the Company against the Agents in connection with or arising under this Agreement shall be brought solely in the state or federal court of appropriate jurisdiction located in the Borough of Manhattan, The City of New York.

SECTION 14. PARTIES.

This Agreement shall inure to the benefit of and be binding upon each Agent 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 parties hereto and their respective successors and the controlling persons and officers and directors referred to in Section 9 and their heirs and legal representatives, 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 parties hereto and respective successors and said controlling persons and officers and directors and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of Notes shall be deemed to be a successor by reason merely of such purchase.

SECTION 15. EXECUTION IN COUNTERPARTS.

This Agreement may be executed in counterparts, each of which shall be an

original and all of which shall constitute but one and the same instrument.

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

Very truly yours,

MADISON GAS AND ELECTRIC COMPANY

By:

Name:
Title:

Accepted:

Agent

By:

Name:
Title:

Agent

By:

Name:
Title:

Agent

EXHIBIT A

The following terms, if applicable, shall be agreed to by the Agent and the Company pursuant to each Terms Agreement:

Principal Amount: $_____
Interest Rate:
If Fixed Rate Note, Interest Rate:
Interest Payment Dates:

If Floating Rate Note:
Interest Rate Basis:
Initial Interest Rate:
Initial Interest Reset Date:
Spread, if any:
Spread Multiplier, if any:
Interest Rate Reset:
Interest Payment Dates:
Index Maturity:
Maximum Interest Rate, if any:
Minimum Interest Rate, if any:
Interest Rate Reset Period:
Interest Payment Period:
Interest Payment Date:
Calculation Agent:

If Redeemable:

Initial Redemption Date:
Initial Redemption Percentage:
Annual Redemption Percentage Reduction:

Date of Maturity:
Purchase Price:_____%
Settlement Date and Time:
Stand-off Period (if any):
Additional Terms:

Also, agreement as to whether the following will be required:

Legal Opinion pursuant to Section 5(c)of the Distribution Agreement.
Officer's Certificate pursuant to Section 5(e) of the Distribution Agreement.
Comfort Letter pursuant to Section 5(f) of the Distribution Agreement.

SCHEDULE A

As compensation for the services of the Agents hereunder, the Company shall pay the Agents, on a discount basis, a commission for the sale of each Note equal to the principal amount of such Note multiplied by the appropriate percentage set forth below:

<TABLE>
<CAPTION>

<S>	<C>
MATURITY RANGES	PERCENT OF PRINCIPAL AMOUNT
From 9 months but less than 1 year.....	.125%
From 1 year but less than 18 months.....	.150%
From 18 months but less than 2 years.....	.200%
From 2 years but less than 3 years.....	.250%
From 3 years but less than 4 years.....	.350%
From 4 years but less than 5 years.....	.450%
From 5 years but less than 6 years.....	.500%
From 6 years but less than 7 years.....	.550%
From 7 years but less than 10 years.....	.600%
From 10 years but less than 15 years.....	.625%
From 15 years but less than 20 years.....	.675%
From 20 years to 30 years.....	.750%

</TABLE>

SCHEDULE A

As compensation for the services of the Agents hereunder, the Company shall pay the Agents, on a discount basis, a commission for the sale of each Note equal to the principal amount of such Note multiplied by the appropriate percentage set forth below:

<TABLE>
<CAPTION>

<S>	<C>
MATURITY RANGES	PERCENT OF PRINCIPAL AMOUNT
From 9 months but less than 1 year.....	
From 1 year but less than 18 months.....	
From 18 months but less than 2 years.....	
From 2 years but less than 3 years.....	
From 3 years but less than 4 years.....	
From 4 years but less than 5 years.....	
From 5 years but less than 6 years.....	
From 6 years but less than 7 years.....	
From 7 years but less than 10 years.....	
From 10 years but less than 15 years.....	
From 15 years but less than 20 years.....	
From 20 years to 30 years.....	

</TABLE>

Exhibit 1.2

MADISON GAS AND ELECTRIC COMPANY

Notes

TERMS AGREEMENT

_____, 1998

Underwriters
Addresses

Dear Sirs:

Madison Gas and Electric Company, a Wisconsin corporation (the "Company"), confirms its agreement with _____ (the "Underwriters") with respect to the issue and sale by the Company of its Notes, ___% Series due ____ (the "Notes"). The Notes are to be issued pursuant to the indenture (the "Indenture") dated as of _____, 1998 between the Company and Bank One, N.A., as trustee.

This Terms Agreement is entered into pursuant to, and hereby incorporates by reference all of the terms of, the Distribution Agreement dated _____, 1998, between the Company and the Underwriters, as Agents thereunder ("Distribution Agreement"). Capitalized terms used in this Terms Agreement have the definitions given to them in the Distribution Agreement.

SECTION 1. REPRESENTATIONS AND WARRANTIES. The Company represents and warrants to the Underwriters as of the date hereof and as of the Settlement Date for the purchase, sale and delivery of the Notes to the Underwriters, that the representations and warranties of the Company in the Distribution Agreement are true and correct as if made as of the date hereof and as of the Settlement Date.

SECTION 2. PURCHASE AND OFFERING. Subject to the terms and conditions hereof and in reliance upon the representations and warranties herein set forth, the Company agrees to sell to each Underwriter, severally and not jointly, and each Underwriter agrees, severally and not jointly, to purchase from the Company, at the purchase price and on the other terms set forth in Schedule I hereto, the principal amount of the Notes set forth opposite its name in Schedule I hereto, and the Notes shall have the terms set

forth in Schedule I hereto, which is incorporated by reference in this Terms

Agreement.

SECTION 3. CONDITIONS TO THE OBLIGATIONS OF THE UNDERWRITERS. The respective obligations of the Underwriters under this Terms Agreement with respect to the Notes are subject to the accuracy, on the date hereof and on the Settlement Date, of the representations and warranties of the Company contained herein, to performance by the Company of its obligations contained in the Distribution Agreement and this Terms Agreement, and to each of the following additional terms and conditions:

(a) NO STOP ORDER. On the Settlement Date, no stop order suspending the effectiveness of the Registration Statement nor any order directed to any document incorporated by reference in the Prospectus shall be in effect and no stop order proceeding shall be pending or shall have been initiated or threatened by the SEC and no challenge shall have been made by the SEC to the accuracy or adequacy of any document incorporated by reference in the Prospectus; and any request of the SEC for inclusion of additional information in the Registration Statement or the Prospectus or otherwise shall have been complied with.

(b) LEGAL MATTERS. All corporate proceedings and other legal matters incident to the authorization, form and validity of this Terms Agreement, the Notes and the Registration Statement, the Prospectus and all other legal matters relating to this Terms Agreement and the transactions contemplated hereby shall be satisfactory in all respects to _____, counsel for the Underwriters, and the Company shall have furnished to such counsel all documents and information that they may reasonably request to enable them to pass upon such matters (it being understood that such counsel shall not be required to pass on any financial statements and other financial data included in the Prospectus).

(c) OTHER CERTIFICATES, OPINIONS AND LETTERS. The Company shall have furnished to the Underwriters on the Settlement Date, (i) a certificate dated the Settlement Date complying with Section 8(b) of the Distribution Agreement; (ii) a written opinion of Stafford, Rosenbaum, Reiser & Hansen, or other counsel satisfactory to the Underwriters, dated the Settlement Date, complying with Section 8(c) of the Distribution Agreement; and (iii) a letter of Pricewater- houseCoopers LLP, dated the Settlement Date complying with Section 8(d) of the Distribution Agreement.

SECTION 4. GOVERNING LAW. This Terms Agreement and all the rights and obligations of the parties 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 the State of New York. Any suit, action or proceeding brought by the Company against the Underwriters in

connection with or arising under this Terms Agreement shall be brought solely in the state or federal court of appropriate jurisdiction located in the Borough of Manhattan, The City of New York.

SECTION 5. CERTAIN COSTS. Notwithstanding anything to the contrary in Section 4(r) of the Distribution Agreement, the Underwriters shall pay the fees and expenses of their counsel.

SECTION 6. PARTIES. This Terms Agreement shall inure to the benefit of and be binding upon the Underwriters and the Company and their respective successors. Nothing expressed or mentioned in this Terms Agreement is intended or shall be construed to give any person, firm or corporation, other than the parties hereto and their respective successors and the controlling persons and officers and directors referred to in Section 9 of the Distribution Agreement and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Terms Agreement or any provision herein contained. This Terms Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the parties hereto and respective successors and said controlling persons and officers and directors and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of Notes shall be deemed to be a successor by reason merely of such purchase.

SECTION 7. EXECUTION IN COUNTERPARTS. This Terms Agreement may be executed in counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

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

Very truly yours,

MADISON GAS & ELECTRIC COMPANY

By: _____
Name:
Title:

Accepted:

Names of Underwriters

by: _____

by:_____

Name:
Title:

SCHEDULE I

Terms Agreement dated _____, 1998, to Distribution Agreement dated _____, 1988, between Madison Gas and Electric Company and _____

Underwriters' Address:

_____
_____
_____
_____
_____
_____

Registration No. 333-_____

Designation of Notes: ___% Series due ____

Maturity Date: _____, ____

Interest Rate per annum: ___%

Interest Payment Dates: _____ and _____

First Interest Payment Date: _____, 199_

Principal amount of Notes to be severally purchased by each Underwriter:

Underwriter	Amount
	$ _____
	_____
Total Principal Amount of Notes	$ _____

Purchase Price as percent of principal amount, plus accrued interest from _____, 1998 _____%

Initial Public Offering Price as percent of principal amount, plus accrued interest from _____, 1998 _____%

Dealer discount: not in excess of %

Reallowance to dealers: not in excess of %

Redemption Provisions:

Form of Notes: Book-Entry Notes

Settlement Date: _____, 1998

Settlement Time: 10:00 a.m., New York time

Place: Sidley & Austin
One First National Plaza
Chicago, Illinois 60603

Payment:

[By transfer of same day Federal funds to _____, ABA #_____, Account #_____ for credit to Madison Gas and Electric Company]

Stand-Off Period: The Company will not, without the prior written consent of the Underwriters, offer or sell, or enter into any agreement to offer or sell, any debt

securities of the Company (other than the Notes and commercial paper in the ordinary course of business) until after the Settlement Date.

EXHIBIT 1.3

MADISON GAS AND ELECTRIC COMPANY

_____ SHARES
COMMON STOCK

UNDERWRITING AGREEMENT

_____, 1998

Underwriters
Addresses

Dear Sirs:

Madison Gas and Electric Company, a Wisconsin corporation (the "Company"), proposes to issue and sell to the several Underwriters named in Schedule I hereto (the "Underwriters"), for whom you are acting as representatives ("Representatives"), _____ shares of the common stock, $1 par value, of the Company (the "Firm Shares").

The Company also proposes to issue and sell to the several Underwriters not more than an additional _____ shares of its common stock, $1 par value (the "Additional Shares"), if and to the extent that the Representatives shall have determined to exercise, on behalf of the Underwriters, the right to purchase such shares of common stock granted to the Underwriters in Section 2. The Firm Shares and the Additional Shares are hereinafter collectively referred to as the "Shares". The shares of the common stock, $1 par value, of the Company to be outstanding after giving effect to the sales contemplated hereby are hereinafter referred to as the "Common Stock".

The Company has filed with the Securities and Exchange Commission (the "SEC") a registration statement on Form S-3 (No. 333-_____) for the registration of certain securities, including the Shares, under the Securities Act of 1933 (the "1933 Act") and the offering thereof from time to time in accordance with Rule 415 of the rules and regulations of the SEC under the 1933 Act (the "1933 Act Regulations"). Such registration statement has been declared effective by the SEC. As used in this Agreement, (i) "Registration Statement" means such registration statement, as

amended or supplemented to the date hereof; (ii) "Preliminary Prospectus" means each prospectus (including all documents incorporated therein by reference) specifically relating to the Shares included in the Registration Statement before it became effective under the 1933 Act, including any prospectus filed with the SEC pursuant to Rule 424(a) of the 1933 Act Regulations; (iii) "Basic Prospectus" means the prospectus (including all documents incorporated therein by reference) specifically relating to the Shares included in the Registration Statement; and (iv) "Prospectus" means the Basic Prospectus together with any prospectus amendment or supplement (including in each case all documents incorporated therein by reference) specifically relating to the Shares, as filed with, or mailed for filing to, the SEC pursuant to paragraph Rule 424(b) of the 1933 Act Regulations.

SECTION 1. REPRESENTATIONS AND WARRANTIES.

(a) The Company represents and warrants to each Underwriter as follows:

(i) DUE INCORPORATION AND QUALIFICATION. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the state of Wisconsin with corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Prospectus; and the Company is not required to be qualified as a foreign corporation to transact business in any other jurisdiction.

(ii) SUBSIDIARIES. The Company has no significant subsidiaries, as "significant subsidiary" is defined in Rule 405 of the 1933 Act Regulations.

(iii) REGISTRATION STATEMENT AND PROSPECTUS. At the time the Registration Statement became effective, the Registration Statement complied, and on the date hereof complies, in all material respects, with the requirements of the 1933 Act and the 1933 Act Regulations. The Registration Statement, at the time it became effective did not, on the date hereof does not, and at all times during the period specified in Section 3(k) hereof will not, contain 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 not misleading. The Prospectus, as of the date hereof does not, and at all times during the period specified in Section 3(K) will not, contain 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, not misleading; PROVIDED, HOWEVER, that

the representations and warranties in this subsection shall not apply to statements in or omissions from the Registration Statement or Prospectus

made in reliance upon and in conformity with information furnished to the Company in writing by any Underwriter through the Representatives expressly for use in the Registration Statement or Prospectus.

(iv) INCORPORATED DOCUMENTS. The documents incorporated by reference in any Preliminary Prospectus or the Prospectus, at the time they were or hereafter are filed with the SEC, complied or when so filed will comply, as the case may be, in all material respects with the requirements of the Securities Exchange Act of 1934 ("1934 Act") and the rules and regulations promulgated thereunder ("1934 Act Regulations"), and, when read together with the other information in the Prospectus, did not and will at all times during the period specified in Section 3(k) hereof not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were or are made, not misleading.

(v) ACCOUNTANTS. The accountants who issued their reports on the financial statements included or incorporated by reference in the Prospectus are independent public accountants within the meaning of the 1933 Act and the 1933 Act Regulations.

(vi) FINANCIAL STATEMENTS. The financial statements and any supporting schedules of the Company included or incorporated by reference in the Registration Statement and the Prospectus present fairly the financial position of the Company as of the dates indicated and the results of its operations and cash flows for the periods specified; and, except as stated therein, said financial statements have been prepared in conformity with generally accepted accounting principles in the United States applied on a consistent basis; and any supporting schedules included in the Registration Statement present fairly the information required to be stated therein.

(vii) AUTHORIZATION AND VALIDITY OF THIS AGREEMENT. This Agreement has been duly authorized and, upon execution and delivery by the Representatives on behalf of the Underwriters, will be a valid and binding agreement of the Company.

(viii) The authorized capital stock of the Company conforms to the description thereof contained in the Prospectus.

(ix) The shares of Common Stock outstanding prior to the issuance of the Shares have been duly authorized and are validly issued, fully paid and non-assessable, except to the extent that they are assessable as provided in Section 180.0622 of the Wisconsin Business Corporation Law.

(x) The Shares have been duly authorized and, when issued and

delivered in accordance with the terms of this Agreement, will be validly issued, fully paid and non-assessable, except to the extent that they are assessable as provided in Section 180.0622 of the Wisconsin Business Corporation Law, and the issuance of the Shares will not be subject to any preemptive rights.

(xi) MATERIAL CHANGES OR MATERIAL TRANSACTIONS. Since the respective dates as of which information is given in the Registration Statement and the Prospectus, except as may otherwise be stated therein or contemplated thereby, there has been no material adverse change in the condition, financial or otherwise, of the Company, whether or not arising in the ordinary course of business.

(xii) NO CONFLICTS. The execution and delivery of this Agreement and the consummation of the transactions contemplated herein have been duly authorized by all necessary corporate action and will not conflict with or constitute a breach of, or default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company pursuant to, any contract, indenture, mortgage, loan agreement, note, lease or other instrument to which the Company is a party or by which it may be bound or to which any of the property or assets of the Company is subject, nor will such action result in any violation of the Articles of Incorporation or By-laws, as restated or amended, of the Company or any law, administrative regulation or administrative or court order or decree.

(xiii) REGULATORY APPROVALS. The Company has made all necessary filings and obtained all necessary consents, orders or approvals from the Federal Energy Regulatory Commission ("FERC") and the Public Service Commission of Wisconsin ("PSCW") in connection with the issuance and sale of the Shares, and no consent, approval, authorization, order or decree of any other court or governmental agency or body is required for the consummation by the Company of the transactions contemplated by this Agreement, except such as may be required under state securities ("Blue Sky") laws.

(b) ADDITIONAL CERTIFICATIONS. Any certificate signed by any director or officer of the Company and delivered to the Representatives shall be deemed a representation and warranty by the Company to the Underwriters as to the matters covered thereby on the date of such certificate.

SECTION 2. PURCHASE AND SALE OF SHARES.

(a) FIRM SHARES. On the basis of the representations and warranties herein contained, but subject to the terms and conditions herein set forth, the Company hereby agrees to sell to the several Underwriters, and each Underwriter agrees, severally and not jointly, to purchase from the Company, for $_____ per

Share ("Purchase Price"), the number of Firm Shares set forth in Schedule I hereto opposite the name of such Underwriter.

(b) ADDITIONAL SHARES. On the basis of the representations and warranties herein contained, but subject to the terms and conditions herein set forth, the Company agrees to sell to the Underwriters the Additional Shares, and the Underwriters shall have a one-time right to purchase, severally and not jointly, up to _____ Additional Shares for the Purchase Price per Share. Additional Shares may be purchased solely for the purpose of covering over-allotments made in connection with the offering of Firm Shares. If any Additional Shares are to be purchased, each Underwriter agrees, severally and not jointly, to purchase the number of Additional Shares (subject to such adjustment to eliminate fractional shares as the Representatives may determine) that bears the same proportion to the total number of Additional Shares to be purchased as the number of Firm Shares set forth in Schedule I hereto opposite the name of such Underwriter bears to the total number of Firm Shares.

(c) The Company is advised by the Representative that the Underwriters propose to make a public offering of their respective portions of the Shares as soon after this Agreement has become effective as in the judgment of the Representatives is advisable. The Company is further advised by the Representatives that the Shares are to be offered to the public initially at $_____ per Share (the "Public Offering Price," which term includes such price as it may be changed from time to time by the Representatives) and to certain dealers selected by the Representatives at a price that represents a concession not in excess of $__ per Share under the Public Offering Price, and that any Underwriter may allow, and such dealers may allow, a concession, not in excess of $_____ per Share, to any Underwriter or to certain other dealers.

(d) PAYMENT FOR FIRM SHARES. Payment for the Firm Shares shall be made by certified or official bank check or checks payable

to the order of the Company in New York Clearing House funds at the offices of Sidley & Austin, One First National Plaza, Chicago, Illinois, at 10:00 A.M., local time, on _____, __, or at such other time on the same or such other date, not later than _____, __, as shall be designated in writing by the Representatives and the Company. The time and date of each such payment are hereinafter referred to as the "Closing Date".

(e) PAYMENT FOR ADDITIONAL SHARES. Payment for any Additional Shares shall be made by certified or official bank check or checks payable to the order of the Company in New York Clearing House funds at the offices of Sidley & Austin, One First National Plaza, Chicago, Illinois, at 10:00 A.M., local time, on such date (which may be the same as the Closing Date but shall in no event be earlier than the Closing Date nor later than ten business days after the giving of the notice hereinafter referred to), not later than _____, as shall be designated in a written notice from the Representatives to the Company of their

determination, on behalf of the Underwriters, to purchase a number, specified in said notice, of Additional Shares, as shall be designated in writing by the Representatives and the Company. The time and date of such payment are hereinafter referred to as the "Option Closing Date". The notice of the determination to exercise the option to purchase Additional Shares and of the Option Closing Date may be given at any time within 30 days after the date of this Agreement.

(f) CERTIFICATES. Certificates for the Firm Shares and Additional Shares shall be in definitive form and registered in such names and in such denominations as the Representatives shall request in writing not later than two full business days prior to the Closing Date or the Option Closing Date, as the case may be. The certificates evidencing the Firm Shares and Additional Shares shall be delivered to the Representatives on the Closing Date or the Option Closing Date, as the case may be, for the respective accounts of the several Underwriters.

SECTION 3. COVENANTS OF THE COMPANY.

The Company covenants with the Underwriters as follows:

(a) RULE 424(B) FILING. Promptly following execution of this Agreement, to cause the Prospectus, including as part thereof a prospectus supplement relating to the Shares, to be filed with, or mailed for filing to, the SEC pursuant to Rule 424(b)(2) and (3) under the 1933 Act and the Company will promptly advise the Underwriters when such filing or mailing has been made. Prior to such filing or mailing, the Company will cooperate with the Underwriters in the preparation of such supplement to the

Prospectus to assure that the Underwriters have no reasonable objection to the form or content thereof when filed or mailed.

(b) FERC OR PSCW ACTION. To advise the Representatives promptly of any additional action by the FERC or PSCW pertaining to the Shares.

(c) COPIES OF 1933 ACT DOCUMENTS. To furnish promptly to each Representative and to counsel for the Underwriters one signed copy of the Registration Statement as originally filed and each amendment thereto filed prior to the date hereof and relating to the Shares, and a copy of the Prospectus filed with the SEC, including all documents incorporated therein by reference and all consents and exhibits filed therewith.

(d) CONFORMED COPIES. To deliver promptly to the Representatives such reasonable number of the following documents as the Representatives may request: (i) conformed copies of the Registration Statement (excluding exhibits other than this Agreement), (ii) the Prospectus and (iii) any documents incorporated by reference in the Prospectus.

(e) REVISIONS OF PROSPECTUS -- MATERIAL CHANGES. If at any time during the period specified in Section 3(k) any event shall occur or condition exist as a result of which it is necessary, in the reasonable opinion of counsel for the Underwriters or counsel for the Company, to further amend or supplement the Prospectus in order that the Prospectus will not include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein not misleading in the light of the circumstances existing at the time the Prospectus is delivered to a Share purchaser, or if it shall be necessary, in the reasonable opinion of either such counsel, to amend or supplement the Registration Statement or the Prospectus in order to comply with the requirements of the 1933 Act or the 1933 Act Regulations, the Company will promptly prepare and file with the SEC such amendment or supplement, whether by filing documents pursuant to the 1934 Act, the 1933 Act or otherwise, as may be necessary to correct such untrue statement or omission or to make the Registration Statement and Prospectus comply with such requirements.

(f) NOTICES TO REPRESENTATIVES. To advise the Representatives promptly during the period specified in Section 3(k), (i) when any post-effective amendment to the Registration Statement becomes effective, (ii) of any request or proposed request by the SEC for an amendment or supplement to the Registration Statement, to the Prospectus, to any document incorporated by reference in any of the foregoing or for any

additional information, (iii) of the issuance by the SEC of any stop order suspending the effectiveness of the Registration Statement or any order directed to the Prospectus or any document incorporated therein by reference or the initiation or threat of any stop order proceeding or of any challenge by the SEC to the accuracy or adequacy of any document incorporated by reference in the Prospectus, (iv) of receipt by the Company of any notification with respect to the suspension of the qualification of the Shares for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose and (v) of the happening of any event which makes untrue any statement of a material fact made in the Registration Statement (insofar as the Registration Statement relates to or covers the Shares) or the Prospectus, which causes the Registration Statement or the Prospectus to omit to state therein a material fact necessary to make the statements therein not misleading or which requires the making of a change in the Registration Statement or the Prospectus in order to make any material statement therein not misleading.

(g) STOP ORDER. If, during the period specified in Section 3(k), the SEC shall issue a stop order suspending the effectiveness of the Registration Statement, to make every reasonable effort to obtain the lifting of that order at the earliest possible time.

(h) EARNINGS STATEMENT. As soon as practicable, to make generally

available to its security holders and to deliver to the Representatives an earnings statement, conforming with the requirements of Section 11(a) of the 1933 Act and Rule 158 of the 1933 Act Regulations, covering a period of at least twelve months beginning after the effective date of the Registration Statement as defined in Rule 158(c) of the 1933 Act Regulations.

(i) SHAREHOLDER AND OTHER REPORTS. During the period of five years hereafter, to furnish to the Representatives, (i) as soon as available, a copy of each report of the Company mailed to its shareholders or report filed by the Company with the SEC and (ii) from time to time such other information concerning the Company as the Representatives may reasonably request.

(j) BLUE SKY QUALIFICATIONS. The Company will endeavor, in cooperation with the Representatives, to qualify the Shares for offering and sale under the applicable securities laws of such states and other jurisdictions of the United States as the Representatives may designate, and will maintain such qualifications in effect for the period specified in Section 3(k); provided, however, that the Company shall not be obligated to file any general consent to service of process or to qualify as a foreign corporation in any jurisdiction in which it is not so qualified. The Company will file such statements and reports as

may be required by the laws of each jurisdiction in which the Shares have been qualified as above provided. The Company will promptly advise the Representatives of the receipt by the Company of any notification with respect to the suspension of the qualification of the Shares for sale in any such state or jurisdiction or the initiating or threatening of any proceeding for such purpose.

(k) 1934 ACT FILINGS. The Company, during the period when the Prospectus is required to be delivered under the 1933 Act, will file promptly all documents required to be filed with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the 1934 Act.

(l) STAND-OFF AGREEMENT. The Company will not, without the prior written consent of the Representatives, offer or sell, or enter into any agreement to sell, any shares of common stock of the Company or any securities convertible into or exercisable or exchangeable for such common stock, for a period of 30 days after the date of the initial public offering of the Shares, other than (i) the Shares to be sold hereunder and (ii) any actions taken under its Investors Plus Plan.

(m) COSTS. To pay all costs incident to the authorization, issuance, sale and delivery of the Shares; the costs incident to the preparation, printing and filing under the 1933 Act of the Registration Statement and the Prospectus and any amendments, supplements and exhibits thereto; the costs incident to the preparation, printing and filing of the documents and any amendments and

exhibits thereto required to be filed by the Company under the 1934 Act; the costs of distributing the Registration Statement as originally filed and each amendment and post-effective amendment thereof (including exhibits), any Preliminary Prospectus, the Prospectus and any documents incorporated by reference in any of the foregoing documents; the costs of printing this Agreement; the listing of the Shares on the National Association of Securities Dealers Automated Quotation System ("NASDAQ") National Market; the fees and expenses of qualifying the Shares under the securities laws of the several jurisdictions as provided in subsection (j) of this Section and of preparing and printing a Blue Sky Memorandum, (including fees of counsel to the Underwriters not to exceed $_____ in the aggregate); and all other costs and expenses incident to the performance of the Company's obligations under this Agreement; PROVIDED that, except as provided in this Section 3(m),the Underwriters shall pay their own costs and expenses, including the fees and expenses of their counsel, any transfer taxes on the Shares which they may sell and the expenses of advertising any offering of the Shares made by the Underwriters.

(n) To use reasonable efforts to maintain the inclusion of the Common Stock in the NASDAQ National Market (or on a national securities exchange) for a period of five years after the date hereof.

SECTION 4. CONDITIONS OF OBLIGATIONS.

The several obligations of the Underwriters under this Agreement with respect to the Shares are subject to the accuracy, on the date hereof, on the Closing Date and on the Option Closing Date, of the representations and warranties on the part of the Company herein and to the accuracy of the statements of the Company's officers made in any certificate furnished pursuant to the provisions hereof, to the performance and observance by the Company of all of its covenants and agreements herein contained and to each of the following additional terms and conditions applicable to the Shares:

(a) NO STOP ORDER. No stop order suspending the effectiveness of the Registration Statement nor any order directed to any document incorporated by reference in the Prospectus shall have been issued and prior to that time no stop order proceeding shall have been initiated or threatened by the SEC and no challenge shall have been made by the SEC to the accuracy or adequacy of any document incorporated by reference in the Prospectus; any request of the SEC for inclusion of additional information in the Registration Statement or the Prospectus or otherwise shall have been complied with and there shall be no material adverse change in the condition, financial or otherwise, of the Company, whether or not arising in the ordinary course of business.

(b) LEGAL MATTERS. All corporate proceedings and other legal matters incident to the authorization, form and validity of this Agreement, the Shares, the form of the Registration Statement, the Prospectus and all other legal matters relating to this Agreement and the transactions contemplated hereby

shall be satisfactory in all respects to _____, counsel for the Underwriters, and the Company shall have furnished to such counsel all documents and information that they may reasonably request to enable them to pass upon such matters (it being understood that such counsel shall not be required to pass on any financial statements, financial data, statistical data and supporting schedules included in the Prospectus).

(c) OPINION OF COMPANY COUNSEL. Stafford, Rosenbaum, Rieser & Hansen, counsel to the Company, shall have furnished to the Representatives a letter addressed to the Underwriters and dated the Closing Date stating their opinion to the effect that:

(i) the Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Wisconsin, with corporate authority to own and operate its properties, and valid franchises, licenses and permits adequate for the conduct of its business, as described in the Prospectus;

(ii) this Agreement has been duly authorized, executed and delivered by the Company;

(iii) the certificates for the Shares are in due and proper form; the issue and sale of the Shares by the Company in accordance with the terms of this Agreement have been duly and validly authorized by the necessary corporate action;

(iv) the Shares conform as to legal matters with the statements concerning them made in the Prospectus, and such statements accurately set forth the matters respecting the Shares required to be set forth in the Prospectus;

(v) the Shares have been duly authorized and, when issued and delivered to the Underwriters pursuant to this Agreement against payment of the Purchase Price per Share therefore, will be validly issued, fully paid and non-assessable, except to the extent that they are assessable as provided in Section 180.0622 of the Wisconsin Business Corporation Law, and the issuance of the Shares will not be subject to any preemptive rights.

(vi) the order of the PSCW referred to in Section 1(a)(x) hereof pertaining to the Shares have been duly entered and, to the best of the knowledge of such counsel, are still in force and effect; and no further approval, authorization, consent, certificate or order of any state or federal commission or regulatory authority (other than in connection or compliance with the provisions of the securities or Blue Sky laws of any jurisdiction) is necessary with respect to the issue and sale of the Shares as contemplated by this Agreement;

(vii) the Registration Statement has become effective under the 1933

Act and, to the best of the knowledge of such counsel, 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 threatened under the 1933 Act;

(viii) the Registration Statement and the Prospectus and each amendment or supplement thereto comply as to form in all material respects with the requirements of the 1933 Act

and the 1933 Act Regulations (except that such counsel need express no opinion as to the financial statements, financial data, statistical data or supporting schedules contained therein);

(ix) such counsel does not know of any legal or governmental proceeding required to be described in the Prospectus which is not described as required, or of any contract or document of a character required to be described or incorporated in the Registration Statement or the Prospectus or to be filed as an exhibit to the Registration Statement which is not described, incorporated or filed as required;

(x) neither the execution and delivery of this Agreement nor the issuance and sale of the Shares in accordance with the terms of this Agreement nor the consummation of the transactions herein contemplated, nor compliance with the terms and provisions hereof, will conflict with, violate or result in a breach of any law, any administrative regulation or any court decree known to such counsel to be applicable to the Company, conflict with or result in a breach of any of the terms, conditions or provisions of the Articles of Incorporation or the By-laws, as restated or amended, of the Company or of any material agreement or instrument known to such counsel to which the Company is a party or by which the Company is bound or constitute a default thereunder;

(xi) the documents referred to in Section 1(a)(v) hereof, as of their respective filing dates, complied as to form in all material respects with the applicable requirements of the 1934 Act and the 1934 Act Regulations (except that such counsel do not need to express any opinion as to the financial statements, financial data, statistical data or supporting schedules contained therein);

(xii) the statements made in the Prospectus which are stated therein to have been made on the authority of such counsel have been reviewed by them and, as to matters of law and legal conclusion, are correct; and

(xiii) except as set forth in the Prospectus, to the best knowledge of such counsel there are no pending or threatened legal or administrative proceedings to which the Company is a party or in which any of its property is the subject wherein an unfavorable decision, ruling or finding would

adversely affect the transactions contemplated by this Agreement or the validity or enforceability against the Company of this Agreement;

and such letter shall additionally state that nothing has come to the attention of such counsel that would lead them to believe that the Registration Statement (other than the financial statements, financial data, statistical data and supporting schedules included therein, as to which they do not need to express any belief), at the time it became effective or at the Closing Date, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectus (other than the financial statements, financial data, statistical data and supporting schedules included therein, as to which they do not need to express any belief), at the time it was first filed with the SEC pursuant to Rule 424(b) under the 1933 Act or at the Closing Date contained or contains any untrue statement of a material fact or omitted 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.

(d) OPINION OF COMPANY SPECIAL COUNSEL. Sidley & Austin, special counsel to the Company, shall have furnished to the Representatives a letter addressed to the Underwriters and dated the Closing Date stating in their opinion substantially to the effect set forth in clauses (ii), (iii), (iv), (v), (vi), (vii) and (viii) of paragraph (c) of this Section 4 and to the further effect that:

(i) the Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Wisconsin, with corporate authority to own and operate its properties as described in the Prospectus; and

(ii) neither the execution and delivery of this Agreement nor the issuance and sale of the Shares in accordance with the terms of this Agreement nor the consummation of the transactions herein contemplated, nor compliance with the terms and provisions hereof, will conflict with, violate or result in a breach of any of the terms, conditions or provisions of Articles of Incorporation or By-laws, as restated or amended, of the Company, or of any material agreement or instrument known to such counsel to which the Company is a party or by which the Company is bound or constitute a default thereunder;

and such letter shall additionally state that nothing has come to the attention of such counsel that would lead them to believe that the Registration Statement (other than the financial statements, financial data, statistical data and supporting schedules included therein, as to which they do not need to express any belief), at

the time it became effective or at the Closing Date contained or contains an untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that the Prospectus (other than the financial statements, financial data, statistical data and supporting schedules included therein, as to which they do not need to express any belief) as at the time it was first filed with the SEC pursuant to Rule 424(b) under the 1933 Act or at the Closing Date contained or contains any untrue statement of a material fact or omitted 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.

For the purpose of rendering the foregoing opinions, Sidley & Austin may rely exclusively upon the opinion Stafford, Rosenbaum, Rieser & Hansen, counsel for the Company, delivered to you pursuant to paragraph (c) of this Section 4 as to the organization of the Company and as to all other matters of Wisconsin law and upon the factual representations made in this Agreement and upon certificates of officers of the Company and public officials.

(e) OFFICERS' CERTIFICATE. The Company shall have furnished to the Representatives a certificate, dated the Closing Date, of its Chairman of the Board, its President or a Vice President and its Treasurer or an Assistant Treasurer stating that, to the best of their knowledge after reasonable investigation, the representations and warranties of the Company in Section 1 hereof are true and correct as of the date hereof; the Company has complied with all its agreements contained herein; and the conditions set forth in Sections 4(a), 4(h), 4(i)and 4(j) hereof have been fulfilled.

(f) COMFORT LETTER. The Representatives shall have received a letter from PricewaterhouseCoopers LLP dated as of the Closing Date and in form and substance satisfactory to the Representatives, to the effect that:

(i) They are independent public accountants with respect to the Company within the meaning of the 1933 Act and the 1933 Act Regulations;

(ii) In their opinion, the financial statements and supporting schedule(s) of the Company audited by them and included or incorporated by reference in the Registration Statement comply as to form in all material respects with the applicable accounting requirements of the 1933 Act and the 1933 Act Regulations with respect to registration statements on Form S-3 and the 1934 Act and the 1934 Act Regulations;

(iii) They have performed specified procedures, not constituting an audit, including a reading of the latest available interim financial

statements of the Company, a reading of the minute books of the Company since the end of the most recent fiscal year with respect to which an audit report has been issued, inquiries of and discussions with certain officials of the Company responsible for financial and accounting matters with respect to the unaudited consolidated financial statements of the Company included in the Registration Statement and Prospectus and the latest available interim unaudited financial statements of the Company, and such other inquiries and procedures as may be specified in such letter, and on the basis of such inquiries and procedures nothing came to their attention that caused them to believe that: (A) the unaudited consolidated financial statements of the Company included in the Registration Statement and Prospectus do not comply as to form in all material respects with the applicable accounting requirements of the 1934 Act and the 1934 Act Regulations or were not fairly presented in conformity with generally accepted accounting principles in the United States applied on a basis substantially consistent with that of the audited financial statements included therein, or (B) at a specified date not more than five days prior to the date of such letter, there was any change in the capital stock or any increase in long-term debt of the Company or any decrease in the common shareholders' equity of the Company other than for the declaration of regular quarterly dividends, in each case as compared with the amounts shown on the most recent balance sheet of the Company included in the Registration Statement and Prospectus or, during the period from the date of such balance sheet to a specified date not more than five days prior to the date of such letter, there were any decreases, as compared with the corresponding period in the preceding year, in operating revenues or net income of the Company, except in each such case as set forth in or contemplated by the Registration Statement and Prospectus or except for such exceptions (e.g. inability to determine such decreases because of insufficient accounting information available after the date of such most recent balance sheet) enumerated in such letter as shall have been agreed to by the Representatives and the Company; and

(iv) In addition to the examination referred to in their report included or incorporated by reference in the Registration Statement and the Prospectus, and the limited procedures referred to in clause (iii) above, they have carried out certain other specified procedures, not constituting an audit, with respect to certain amounts, percentages and financial information which are included or

incorporated by reference in the Registration Statement and Prospectus and which are specified by the Representatives, and have found such amounts, percentages and financial information to be in agreement with the relevant accounting, financial and other records of the Company identified in such letter.

(g) OPINION OF UNDERWRITERS' COUNSEL. Jones, Day, Reavis & Pogue,

Chicago, Illinois, as counsel for the Underwriters, shall have furnished to the Representatives on the Closing Date such opinions with respect to the validity of the Shares and with respect to the Registration Statement, the Prospectus, and other related matters as the Representatives may reasonably require.

(h) FERC AND PSCW ORDERS. The order of the PSCW referred to in Section 1(a)(x) hereof shall be in full force and effect and no proceedings to suspend the effectiveness of either such order shall be pending or threatened.

(i) NO MATERIAL ADVERSE CHANGE. Subsequent to the date of the most recent financial statements incorporated by reference in the Prospectus, there shall have been no material adverse change in the condition (financial or otherwise), of the Company, whether or not arising in the ordinary course of business, except as set forth in the Registration Statement and the Prospectus, including the documents incorporated by reference therein, as of the effective date of this Agreement.

(j) OTHER DOCUMENTS. Counsel to the Underwriters shall have been furnished with such documents and opinions as such counsel may reasonably require for the purpose of enabling such counsel to pass upon the issuance and sale of Shares as herein contemplated and related proceedings, or in order to evidence the accuracy and completeness of any of the representations and warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Company in connection with the issuance and sale of Shares as herein contemplated shall be satisfactory in form and substance to the Representatives and to counsel to the Underwriters.

If any condition specified in this Section 4 shall not have been fulfilled when and as required to be fulfilled, this Agreement may be terminated by the Representatives by written notice to the Company and any such termination shall be without liability of any party to any other party, except that the covenant regarding provision of an earnings statement set forth in Section 3(h) hereof, the provisions concerning payment of expenses

under Section 3(m) hereof, the indemnity and contribution agreement set forth in Section 6 hereof, the provisions concerning the payment of expenses in Section 8 hereof and the provisions set forth under "Parties" of Section 12 hereof shall remain in effect.

SECTION 5. CONDITIONS TO THE OBLIGATIONS OF THE COMPANY.

The obligations of the Company to sell and deliver the Shares are subject to the following conditions precedent:

(a) NO STOP ORDER. At or before the date hereof, no stop order suspending the effectiveness of the Registration Statement nor any order

directed to any document incorporated by reference in the Prospectus shall have been issued and prior to that time no stop order proceeding shall have been initiated or threatened by the SEC and no challenge shall have been made by the SEC to the accuracy or adequacy of any document incorporated by reference in the Prospectus; any request of the SEC for inclusion of additional information in the Registration Statement or the Prospectus or otherwise shall have been complied with.

(b) PSCW ORDERS. The order of the PSCW referred to in Section (1)(a)(x) hereof shall be in full force and effect and no proceeding to suspend the effectiveness of either such order shall be pending or threatened.

In case any of the conditions specified above in this Section 5 shall not have been fulfilled on the date hereof, this Agreement may be terminated by the Company by delivering written notice of termination to the Representatives. Any such termination shall be without liability of any party to any other party except to the extent provided in Section 3(m), and Section 6 hereof.

SECTION 6. INDEMNIFICATION.

(a) INDEMNIFICATION OF THE UNDERWRITERS. The Company agrees to indemnify and hold harmless each Underwriter and each person, if any, who controls such Underwriter within the meaning of Section 15 of the 1933 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 (or any amendment thereto), or the omission or alleged omission therefrom of a material fact required to be stated therein or necessary to make the statements therein not misleading or arising out of any untrue statement or alleged untrue statement of a material fact contained in the Prospectus (or any amendment or supplement thereto) or the omission or alleged omission

therefrom of a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, 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 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 any such alleged untrue statement or omission, if such settlement is effected with the written consent of the Company; and

(iii) against any and all expense whatsoever, as incurred, (including, subject to Section 6(c) hereof, the fees and disbursements of counsel)

reasonably incurred in investigating, preparing or defending against any litigation, or 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 any such 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 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 Company by any Underwriter through the Representatives expressly for use in the Registration Statement (or any amendment thereto) or any preliminary prospectus or the Prospectus (or any amendment or supplement thereto); and PROVIDED, FURTHER, that this indemnity agreement with respect to any preliminary prospectus shall not inure to the benefit of the Underwriter from whom the person asserting any such losses, liabilities, claims, damages or expenses purchased Shares, or any person controlling such Underwriter, if a copy of the Prospectus (as then amended or supplemented if the Company shall have furnished any such amendment or supplement thereto, but excluding documents incorporated or deemed to be incorporated by reference therein) is provided to the Underwriter but was not sent or given by or on behalf of such Underwriter to such person, if such is required by law, at or prior to the written confirmation of the sale of such Shares to such person and if the Prospectus (as so amended or supplemented, but excluding documents incorporated or deemed to be incorporated by reference therein) would have corrected the defect giving rise to such loss, liability, claim, damage or expense, it being understood that this proviso shall have no application if such defect shall have been corrected in a

document which is incorporated or deemed to be incorporated by reference in the Prospectus.

(b) INDEMNIFICATION OF THE COMPANY. Each Underwriter agrees to indemnify and hold harmless the Company, its directors, each of its officers who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act against any and all loss, liability, claim, damage and expense described in the indemnity contained in subsection (a) of this Section, as incurred, but only with respect to untrue statements or omissions, or alleged untrue statements or omissions, made in the Registration Statement (or any amendment thereto) 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 such Underwriter through the Representatives expressly for use in the Registration Statement (or any amendment thereto) or such preliminary prospectus or the Prospectus (or any amendment or supplement thereto).

(c) GENERAL. Each indemnified party shall give prompt notice to each

indemnifying party of any action commenced against it in respect of which indemnity may be sought hereunder, but failure so to 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 such action. In no event shall the indemnifying parties be liable for the fees and expenses of more than one counsel (in addition to any local 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.

The indemnifying party shall be entitled to appoint counsel of the indemnifying party's choice at the indemnifying party's expense to represent the indemnified party in any action for which indemnification is sought (in which case the indemnifying party shall not thereafter be responsible for the fees and expenses of any separate counsel retained by the indemnified party or parties except as set forth below); provided, however, that such counsel shall be reasonably satisfactory to the indemnified party. Notwithstanding the indemnifying party's election to appoint counsel to represent the indemnified party in an action, the indemnified party shall have the right to employ separate counsel (including local counsel), and the indemnifying party shall bear the reasonable fees, costs and expenses of such separate counsel if (i) counsel for the indemnified party concludes that the use of counsel chosen by the indemnifying party to represent the

indemnified party would present such counsel with a conflict of interest, (ii) the actual or potential defendants in, or targets of, any such action include both the indemnified party and the indemnifying party and the indemnified party shall have been advised by counsel that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, (iii) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of the institution of such action or (iv) the indemnifying party shall authorize the indemnified party to employ separate counsel at the expense of the indemnifying party.

(d) CONTRIBUTION. If the indemnification provided for in this Section is unavailable to an indemnified party or insufficient in respect of any losses, claims, damages or liabilities referred to herein, then each indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and each Agent on the other from the sale to or through each Agent of the Notes or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in

such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and of each Agent on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations; provided, however, that in no case shall any Agent be responsible for any amount in excess of the total underwriting discounts and commission received by such Agent in connection with the sale of the Notes to or through such Agent. The relative benefits received by the Company on the one hand and each Agent on the other in connection with the sale of the Notes shall be deemed to be in the same proportion as the total commissions and underwriting discounts received by such Agent to the date of such liability bear to the total sales price from the sale of Notes to or through such Agent to the date of such liability. The relative fault of the Company on the one hand and of each Agent on the other 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 relates to information supplied by the Company or by such Agent and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company and the Agents agree that it would not be just and equitable if contribution pursuant to this Section were determined by pro rata allocation or by any other method of allocation which does not take account of the considerations referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, 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, no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

For purposes of this Section, each person, if any, who controls an Underwriter within the meaning of Section 15 of the 1933 Act shall have the same rights to contribution as such Underwriter, and each director of the Company and each officer of the Company who signed the Registration Statement, and each person, if any, who controls the Company within the meaning of Section 15 of 1933 Act, shall have the same rights to contribution as the Company.

SECTION 7. TERMINATION.

The Representatives may terminate this Agreement, immediately upon notice to the Company, at any time prior to the Closing Date (i) if there has been, since the date of this Agreement or since the respective dates as of which information is given in the Registration Statement, any material adverse change

in the condition, financial or otherwise, of the Company, whether or not arising in the ordinary course of business, or (ii) if there shall have occurred any outbreak or escalation of major hostilities in which the United States is involved or any other substantial national or international calamity or crisis the effect of which is such as to make it, in the judgment of the Representatives, impracticable or inadvisable to market the Shares, or (iii) if trading in any securities of the Company has been suspended by the SEC or a national securities exchange or in the NASDAQ National Market, or if trading generally on the New York Stock Exchange shall have been suspended, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices for securities have been required, by said exchange or by order of the SEC or any other governmental authority, or if a banking moratorium shall have been declared by either Federal or New York authorities, or (iv) if there shall have come to the attention of the Representatives any facts that would cause the Representatives to believe that the

Prospectus, at the Closing Date, contained an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in light of the circumstances existing at the Closing Date, not misleading.

SECTION 8. PAYMENT OF EXPENSES IN CERTAIN CIRCUMSTANCES.

If the purchase of the Shares by the Underwriters is not consummated for any reason other than a default by one or more of the Underwriters, the Company shall remain responsible for the expenses to be paid or reimbursed by it pursuant to Section 3(m) hereof, the respective obligations of the Company and the Underwriters pursuant to Section 6 hereof shall remain in effect, and the Company will reimburse the Representatives for the reasonable out-of-pocket expenses of the Underwriters, not exceeding $10,000, and for the fee and disbursements of Jones, Day, Reavis & Pogue, Chicago, Illinois, the Underwriters agreeing to pay such expenses, fee and disbursements in any other event. In no event will the Company be liable to any of the Underwriters for damages on account of loss of anticipated profits.

SECTION 9. DEFAULT BY UNDERWRITERS.

If one or more of the Underwriters shall fail at the Closing Date to purchase the Shares which it or they are obligated to purchase under this Agreement (Defaulted Shares"), the Representatives shall have the right, within 24 hours thereafter, to make arrangements for one or more of the non-defaulting Underwriters, or any other underwriters, to purchase all, but not less than all, of the Defaulted Shares in such amounts as may be agreed upon and upon the terms herein set forth; if, however, the Representatives shall not have completed such arrangements within such 24-hour period, then:

(a) if the amount of Defaulted Shares does not exceed 10% of the

amount of the Shares, each of the non-defaulting Underwriters shall be obligated, severally and not jointly, to purchase the full amount thereof in the proportions that their respective underwriting obligations hereunder bear to the underwriting obligations of all non-defaulting Underwriters, or

(b) if the amount of Defaulted Shares exceeds 10% of the amount of the Shares, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter.

No action taken pursuant to this Section 9 shall relieve any defaulting Underwriter from liability in respect of its default.

In the event of any such default which does not result in a termination of this Agreement, either the Representatives or the Company shall have the right to postpone the Closing Date for a period not exceeding seven days in order to effect any required changes in the Registration Statement or Prospectus or in any other documents or arrangements.

SECTION 10. NOTICES.

Unless otherwise provided herein, all notices required under the terms and provisions hereof shall be in writing, either delivered by hand, by mail or by telex, telecopier or telegram, and any such notice shall be effective when received at the address specified below.

If to the Company:

Madison Gas and Electric Company
133 South Blair Street
Madison, Wisconsin 53703
Attention: Treasurer
Fax: 608-252-1540

If to the Representatives:

or at such other address as such party or parties may designate from time to time by notice duly given in accordance with the terms of this Section 10.

SECTION 11. GOVERNING LAW.

This Agreement and all the rights and obligations of the parties 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 the State of New York. Any suit, action or

proceeding brought by the Company against the Underwriters in connection with or arising under this Agreement shall be brought solely in the state or federal court of appropriate jurisdiction located in the Borough of Manhattan, The City of New York.

SECTION 12. PARTIES.

This Agreement shall inure to the benefit of and be binding upon each Underwriter 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 parties hereto and their respective successors and the controlling persons and officers and directors referred to in Section 6 and their heirs and legal representatives, 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 parties hereto and respective successors and said controlling persons and officers and directors and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of Shares shall be deemed to be a successor by reason merely of such purchase.

SECTION 13. EXECUTION IN COUNTERPARTS.

This Agreement may be executed in counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

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

Very truly yours,

MADISON GAS AND ELECTRIC COMPANY

By:

Name:
Title:

Accepted:

Names of Representatives

By:

Name:
Title:

On behalf of each of the Underwriters

SCHEDULE I

<TABLE>
<CAPTION>

<S>	<C>	<C>
NAME	ADDRESS	NUMBER OF SHARES
----	-------	----------

</TABLE>

Exhibit 4.4

MADISON GAS AND ELECTRIC COMPANY

AND

BANK ONE, N.A., AS TRUSTEE

INDENTURE

DATED AS OF _____ _, 1998

TABLE OF CONTENTS

ARTICLE ONE

TIE-SHEET

of provisions of Trust Indenture Act of 1939 with Indenture dated as of _____ _, 1998, between Madison Gas and Electric Company and Bank One, N.A., as trustee.

SECTION OF ACT	SECTION OF INDENTURE
310(a)(1) and (2)	9.09
310(a)(3) and (4)	Not applicable
310(a)(5)	9.08
310(b)	9.08 and 9.10
310(c)	Not applicable
311(a) and (b)	9.13
311(c)	Not applicable
312(a)	7.01
312(b) and (c)	7.01
313(a)	7.03
313(b)(1)	Not applicable
313(b)(2)	7.03
313(c)	7.03
313(d)	7.03
314(a)	6.04, 7.02
314(b)	Not applicable
314(c)(1) and (2)	15.05
314(c)(3)	Not applicable
314(d)	Not applicable
314(e)	15.05
314(f)	Not applicable
315(a), (c) and (d)	9.01
315(b)	8.12; 9.02
315(e)	8.13
316(a)(1)	8.01 and 8.11
316(a)(2)	Omitted
316(a) last sentence	10.04
316(b)	8.07
316(c)	10.06
317(a)(1)	8.03
317(a)(2)	8.04
317(b)	Omitted
318(a)	15.07

_____
This tie-sheet does not constitute a part of the Indenture.

THIS INDENTURE, dated as of _____ _, 1998, between Madison Gas and Electric Company, a corporation duly organized and existing under the laws of the State of Wisconsin (hereinafter sometimes called the "Company"), and Bank One, N.A., a national banking association organized and existing under the laws of the United States of America, as trustee (hereinafter called the "Trustee").

W I T N E S S E T H:

WHEREAS, for its lawful corporate purposes, the Company has duly authorized the execution and delivery of this Indenture to provide for the issuance from time to time of its Medium-Term Notes (hereinafter sometimes called "Notes"), to be issued as in this Indenture provided;

AND WHEREAS, all acts and things necessary to make this Indenture a valid agreement according to its terms have been done and performed, and the execution of this Indenture and the issue hereunder of the Notes have in all respects been duly authorized;

NOW THEREFORE, THIS INDENTURE WITNESSETH:

That in order to declare the terms and conditions upon which the Notes are, and are to be authenticated, issued and delivered, and in consideration of the premises, of the purchase and acceptance of the Notes by the Holders thereof and of the sum of one dollar duly paid to it by the Trustee at the execution of these presents, the receipt whereof is hereby acknowledged, the Company covenants and agrees with the Trustee for the equal and proportionate benefit of the respective Holders from time to time of the Notes, as follows:

ARTICLE ONE

DEFINITIONS

SECTION 1.01. GENERAL. The terms defined in this Article One (except as herein otherwise expressly provided or unless the context otherwise requires) for all purposes of this Indenture and of any indenture supplemental hereto shall have the respective meanings specified in this Article One.

SECTION 1.02. TIA. (a) Whenever this Indenture refers to a provision of the Trust Indenture Act of 1939, as amended ("TIA"), such provision is incorporated by reference in and made a part of this Indenture. The following TIA terms incorporated in this Indenture have the following meanings:

"indenture securities" means the Notes.

"indenture note holder" means a Noteholder or a Holder.

"indenture to be qualified" means this Indenture.

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

"obligor" on the indenture securities means the Company.

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

SECTION 1.03. OTHER DEFINITIONS. For purposes of this Indenture, the following terms have the following meanings:

ACCRUED INTEREST:

The term "Accrued Interest" at any Interest Payment Date (a) for a Floating Rate Note shall mean the amount obtained by multiplying the principal amount of such Floating Rate Note by its Accrued Interest Factor, and (b) for a Fixed Rate Note, shall mean the amount obtained by multiplying the principal amount of such Fixed Rate Note by its Interest Rate, and multiplying the product thus obtained by a fraction, the numerator of which is the number of days in the Interest Reset Period for such Note ending on such Interest Payment Date based on a 360-day year of twelve 30-day months, and the denominator of which is 360.

ACCRUED INTEREST FACTOR:

The term "Accrued Interest Factor" at any Interest Payment Date for a Floating Rate Note shall mean the sum of the Interest Factors for such Floating Rate Note calculated for each day in the Interest Reset Period for such Note ending on such Interest Payment Date or the prior Record Date, as the case may be.

AMORTIZED FACE AMOUNT:

The term "Amortized Face Amount" of an Original Issue Discount Note as

of the date that (i) the principal amount of such Note is to be repaid prior to its Stated Maturity, whether upon declaration of acceleration, call for redemption, repayment at the option of the Holder or otherwise, or (ii) any consent, notice, request, direction, waiver or suit by the Noteholders shall be deemed to be given, made or commenced under this Indenture, shall

mean the principal amount of such Note multiplied by its Issue Price plus the portion of the difference between the dollar amount thus obtained and the principal amount of such Note that has accreted at the Yield to Maturity of such Note (computed in accordance with generally accepted United States bond yield computation principles) to such date, but in no event shall the Amortized Face Amount of an Original Issue Discount Note exceed its principal amount stated in the applicable Company Order.

AMORTIZING NOTE:

The term "Amortizing Note" shall mean a Note for which payments of principal of and interest on such Note are made in installments over the life of such Note, and unless otherwise specified in the applicable Company Order, payments with respect to an Amortizing Note shall be applied first to interest due and payable thereon and then to the reduction of the unpaid principal amount thereof.

AUTHENTICATING AGENT:

The term "Authenticating Agent" shall mean the agent of the Trustee which shall be appointed and acting pursuant to Section 9.14.

AUTHORIZED AGENT:

The term "Authorized Agent" shall mean an agent of the Company designated by an Officers' Certificate to give to the Trustee the information specified in clause (a) of "Company Order" for the issuance of a Note.

AUTHORIZED NEWSPAPER:

The term "Authorized Newspaper" shall mean a newspaper of general circulation in the relevant area, printed in the English language and customarily published on each Business Day; whenever successive publications in an Authorized Newspaper are required by this Indenture, such publications may be made on the same or different days and in the same or in different Authorized Newspapers.

BASIS POINT:

The term "Basis Point" shall mean one-one hundredth of a percentage point.

BOARD OF DIRECTORS:

The term "Board of Directors" shall mean the Board of Directors of the Company or the Executive Committee of such Board or any other duly authorized Committee of such Board.

BOARD RESOLUTION:

The term "Board Resolution" shall mean a copy of a resolution

certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

BOND INDENTURE:

The term "Bond Indenture" shall mean the Indenture of Mortgage and Deed of Trust dated as of January 1, 1946, from the Company to First Wisconsin Trust Company (now known as Firstar Trust Company), trustee.

BUSINESS DAY:

The term "Business Day" shall mean each Monday, Tuesday, Wednesday, Thursday and Friday that in The City of New York, is not a day on which banking institutions are authorized or obligated by law, regulation or executive order to close and, with respect to LIBOR Notes, is also a London Business Day, unless otherwise specified in the applicable Company Order.

CALCULATION AGENT:

The term "Calculation Agent" for a particular Floating Rate Note shall mean the Trustee, unless otherwise specified in the applicable Company Order.

CALCULATION DATE:

The term "Calculation Date" shall mean with regard to any particular Interest Determination Date, the earlier of (i) the tenth calendar day after such Interest Determination Date, or, if any such day is not a Business Day, the next day that is a Business Day, or (ii) the Business Day immediately preceding the applicable Interest Payment Date or Maturity, as the case may be.

COMMERCIAL PAPER RATE:

The term "Commercial Paper Rate" for a particular Floating Rate Note, unless otherwise indicated in the applicable Company Order, shall mean, with respect to any Commercial Paper

Rate Interest Determination Date, the Money Market Yield on such date of the rate for commercial paper having the Index Maturity specified in such Company Order, as such rate shall be published in H.15(519) under the heading "Commercial Paper". In the event that such rate is not published prior to 9:00 A.M., New York City time, on the Calculation Date pertaining to such Commercial Paper Rate Interest Determination Date, then the Commercial Paper Rate shall be the Money Market Yield on such Commercial Paper Rate Interest Determination Date of the rate for commercial paper of the specified Index Maturity as published in Composite Quotations under the heading "Commercial Paper". If by 3:00 P.M., New York City time, on such Calculation Date such rate is not published in either H.15(519) or Composite Quotations, then the Commercial Paper Rate for such Commercial Paper Rate Interest Determination Date shall be calculated by the Calculation Agent and shall be the Money Market Yield of the arithmetic mean of the offered rates (quoted on a bank discount basis) as of 11:00 A.M., New York City time, on such Commercial Paper Rate Interest Determination Date of three leading dealers of commercial paper in The City of New York selected by the Calculation Agent for commercial paper of the specified Index Maturity placed for an industrial issuer whose bond rating is "AA", or the equivalent, from a nationally recognized rating agency; PROVIDED, HOWEVER, that if the dealers selected as aforesaid by the Calculation Agent are not quoting as set forth above, the Commercial Paper Rate will be the Commercial Paper Rate immediately prior to such Commercial Paper Rate Interest Determination Date.

COMMERCIAL PAPER RATE INTEREST DETERMINATION DATE:

The term "Commercial Paper Rate Interest Determination Date" pertaining to an Interest Reset Date for a Commercial Paper Rate Note shall mean the second Business Day immediately preceding such Interest Reset Date, unless otherwise specified in the applicable Company Order.

COMMERCIAL PAPER RATE NOTES:

The term "Commercial Paper Rate Notes" shall mean Floating Rate Notes which are specified in the applicable Company Order as bearing interest at an interest rate calculated with reference to the Commercial Paper Rate.

COMMON SHAREHOLDERS EQUITY:

The term "Common Shareholders Equity" shall mean, at any time, the total shareholders' equity of the Company and its consolidated subsidiaries, determined on a consolidated basis in accordance with generally accepted accounting principles, as of the end of the most recently completed fiscal quarter of the Company for which financial information is then available.

COMPANY:

The term "Company" shall mean the corporation named as the "Company" in the first paragraph of this Indenture, and its successors and assigns.

COMPANY ORDER:

The term "Company Order" shall mean:

(a) a written order signed in the name of the Company by the Chairman of the Board, the President or any Vice President and by the Secretary or an Assistant Secretary of the Company, and delivered to the Trustee, to authenticate a Note and to make it available for delivery, and specifying for such Note the following information:

(1) the name of the Person in which a Note to be issued and authenticated shall be registered;

(2) the address of such Person;

(3) the taxpayer identification number of such Person;

(4) the principal amount of such Note and, if multiple Notes are to be issued to such Person, the denominations of such Notes;

(5) the Issue Price of such Note;

(6) the Original Issue Date of such Note;

(7) the date upon which such Note is scheduled to mature, any Extension Period or Extension Periods, the Final Maturity Date and any procedures pursuant to which the Holder of such Note may renew such Note;

(8) if the Note is to be redeemable at the option of the Company, the Initial Redemption Date and the date or dates on which, and the price or prices at which, such Note is redeemable at the option of the Company;

(9) if the Note is to be repayable prior to Stated Maturity at the option of the Holder, the date or dates on which, and the price or prices at which, such Note is repayable at the option of the Holder;

(10) if the Note is a Fixed Rate Note, the rate of interest on such

Note and the Interest Payment Dates, if other

than January 15 and July 15, and the Record Dates, if other than January 1 and July 1;

(11) if the Note is an Original Issue Discount Note, its Yield to Maturity;

(12) if such Note is an Amortizing Note, a table setting forth the schedule of dates and amounts of payments of principal of and interest on such Note or the formula for the amortization of principal and/or interest;

(13) if the Note is a Reset Note, the Optional Interest Reset Date and the formula, if any, for resetting the interest rate of a Fixed Rate Note or the Spread and/or Spread Multiplier of a Floating Rate Note;

(14) if the Note is a Floating Rate Note, its:

(A)	Initial Interest Rate	(F)	Interest Reset Dates
(B)	Interest Rate Basis or Base Rate (including any Designated LIBOR Page)	(G)	Spread
		(H)	Spread Multiplier
		(I)	Maximum Interest Rate
(C)	Index Maturity	(J)	Minimum Interest Rate
(D)	Interest Determination Dates	(K)	Interest Payment Dates
		(L)	Record Dates
(E)	Interest Reset Period		

(15) whether or not such Note is to be issued in the form of a Global Note to the Depositary;

(16) the name and address of the Calculation Agent, if other than the Trustee;

(17) if other than denominations of $1,000 and integral multiples thereof, the authorized denominations in which Notes shall be issued; and

(18) all other information necessary for the issuance of such Note not inconsistent with the provisions of this Indenture; or

(b) confirmation given to the Trustee by an officer of the Company designated by an Officers' Certificate, by telephone, confirmed by telex or facsimile or similar writing, of the information given to the Trustee by an Authorized Agent for the issuance of a Note, and the written order of the Company to authenticate such Note and to make it available for delivery.

COMPOSITE QUOTATIONS:

The term "Composite Quotations" shall mean the daily statistical release "Composite 3:30 P.M. Quotations for U.S. Government Securities" or any successor publication published by the Federal Reserve Bank of New York.

CORPORATE TRUST OFFICE OF THE TRUSTEE:

The term "Corporate Trust Office of the Trustee" (or other similar term) shall mean the principal office of the Trustee at which at any particular time its corporate business shall be administered, which office at the date of

original execution of this Indenture is located at 100 East Broad Street, 8th Floor, Columbus, Ohio 43215, Attention: Corporate Trust Administration, except that, with respect to presentation of the Notes for payment or registration of transfers or exchanges and the location of the register, such term means the office or agency of the Trustee at which at any particular time its corporate agency business shall be conducted, which at the date of original execution of this Indenture is located at c/o First Chicago Trust Company of New York, 14 Wall Street, 8th Floor, Suite 4607, New York, New York 10005.

CUSIP:

The term "CUSIP" shall mean the registered trademark "Committee on Uniform Securities Identification Procedures" or "CUSIP" and a unique system of identification of each public issue of a security owned by the American Bankers Association and administered by Standard and Poor's Corporation, as agent of the American Bankers Association.

DEPOSITARY:

The term "Depositary" shall mean, unless otherwise specified by the Company pursuant to Section 2.05 hereof, The Depository Trust Company, New York, New York, or any successor thereto registered as a Clearing Agency under the Securities and Exchange Act of 1934, as amended, or any successor statute or regulation.

DESIGNATED LIBOR PAGE:

The term "Designated LIBOR Page" shall mean either (a) the display on the Reuters Monitor Money Rates Service for the purpose of displaying the London interbank rates of major banks for United States Dollars (if "LIBOR Reuters" is specified in the applicable Company Order), or (b) the display on the Dow Jones Telerate Service for the purpose of displaying the London interbank rates of major banks for United States dollars (if "LIBOR Telerate" is

specified in the applicable Company Order). If neither LIBOR Reuters nor LIBOR Telerate is specified in the applicable Company Order, LIBOR for United States dollars will be determined as if LIBOR Telerate (and page 3750) had been chosen.

DISCHARGED:

The term "Discharged" means, with respect to all Notes at the time outstanding, that the Company shall be deemed to have paid and discharged the entire indebtedness represented by, and obligations under, all Notes and to have satisfied all the obligations under the Indenture relating to such Notes except (i) the rights of Holders of such Notes to receive, from the trust fund provided for under Sections 5.01 and 5.02, payment of the principal of (and premium, if any) and interest on such Notes when such payments are due, (ii) the Company's obligations with respect to such Notes under Sections 2.06, 2.07 and 6.02 and (iii) the rights, powers, trusts, duties and immunities of the Trustee under the Indenture.

EVENT OF DEFAULT:

The term "Event of Default" shall mean any event specified in Section 8.01, continued for the period of time, if any, and after the giving of the notice, if any, therein designated.

EXTENSION NOTICE:

The term "Extension Notice" shall mean a notice sent by the Trustee by telegram, telex, facsimile transmission, hand delivery or letter (first class, postage prepaid) to the Holder of a Note with respect to which the Company has

exercised its option to extend the Stated Maturity, indicating (i) that the Company has elected to extend the Stated Maturity of such Note, (ii) the new Stated Maturity, (iii) in the case of a Fixed Rate Note, the interest rate applicable to the Extension Period or, in the case of a Floating Rate Note, the Spread and/or Spread Multiplier applicable to the Extension Period, and (iv) any provisions for redemption of such Note during the Extension Period, including the date or dates on which or the period or periods during which and the price or prices at which such redemption may occur during the Extension Period.

EXTENSION PERIOD:

The term "Extension Period" shall mean a period of from one to five whole years for which the Company may, at its option, extend the Stated Maturity of a particular Note.

FINAL MATURITY DATE:

The term "Final Maturity Date" shall mean the date beyond which the Stated Maturity of a particular Note may not be extended at the option of the Company.

FIRST MORTGAGE BONDS:

The term "First Mortgage Bonds" shall mean the first mortgage bonds issued under the Bond Indenture.

FIXED RATE AMORTIZING NOTE:

The term "Fixed Rate Amortizing Note" shall mean a Fixed Rate Note which is an Amortizing Note.

FIXED RATE NOTE:

The term "Fixed Rate Note" shall mean a Note which bears interest at a fixed rate (which may be zero in the case of a Zero Coupon Note) specified in the applicable Company Order.

FLOATING RATE NOTE:

The term "Floating Rate Note" shall mean a Note which bears interest at a variable rate determined by reference to interest rate formula, and includes a Commercial Paper Rate Note, a LIBOR Note, a Prime Rate Note or a Treasury Rate Note.

GLOBAL NOTE:

The term "Global Note" shall mean a single Note that pursuant to Section 2.05 is issued to evidence Notes having identical terms and provisions, which is delivered to the Depositary or pursuant to instructions of the Depositary and which shall be registered in the name of the Depositary or its nominee.

H.15(519):

The term "H.15(519)" shall mean the publication "Statistical Release H.15(519), Selected Interest Rates" or any successor publication published by the Board of Governors of the Federal Reserve System.

INDEBTEDNESS:

The term "Indebtedness" shall mean with respect to any Person (i) any liability of such Person (a) for borrowed money, or (b) evidenced by a bond, note, debenture or similar instrument (including purchase money obligations but excluding trade payables), or (c) for the payment of money relating to a lease that is required to be classified as a capitalized lease obligation in accordance with generally accepted accounting principles; (ii) any liability of others described in the preceding clause (i) that such Person has guaranteed, that is recourse to such Person or that is otherwise its legal liability; and (iii) any amendment, supplement, modification, deferral, renewal, extension or refunding of any liability of the types referred to in clauses (i) and (ii) above.

INDENTURE:

The term "Indenture" shall mean this instrument as originally executed or, if amended or supplemented as herein provided, as so amended or supplemented.

INDEX MATURITY:

The term "Index Maturity" of a particular Floating Rate Note shall mean the period to Stated Maturity of the instrument or obligation from which the Base Rate of such Floating Rate Note is calculated, as specified in the applicable Company Order.

INITIAL INTEREST RATE:

The term "Initial Interest Rate" for a particular Floating Rate Note shall mean the interest rate specified in the applicable Company Order as in effect from the Original Issue Date of such Floating Rate Note to its first Interest Reset Date.

INITIAL REDEMPTION DATE:

The term "Initial Redemption Date" shall mean the earliest date, if any, on which a particular Note shall be redeemable at the option of the Company prior to the Stated Maturity of such Note, as specified in the applicable Company Order.

INTEREST ACCRUAL PERIOD:

The term "Interest Accrual Period" for a particular Floating Rate Note shall mean the period from the date of issue of such Floating Rate Note, or from an Interest Reset Date, if any, to its next subsequent Interest Reset Date.

INTEREST DETERMINATION DATE:

The term "Interest Determination Date" shall mean each Commercial Paper Rate Interest Determination Date, LIBOR Interest Determination Date, Prime Rate Interest Determination Date and Treasury Rate Interest Determination Date.

INTEREST FACTOR:

The term "Interest Factor" for a Floating Rate Note for each day in an Interest Accrual Period for such Floating Rate Note shall be computed by dividing the Interest Rate applicable to such day by 360, in the case of Commercial Paper Rate Notes, LIBOR Notes and Prime Rate Notes, or by the actual number of days in the year, in the case of Treasury Rate Notes.

INTEREST PAYMENT DATE:

(a) The term "Interest Payment Date" shall mean with respect to a Floating Rate Note, including a Floating Rate Amortizing Note, which has an Interest Reset Date which is (1) daily, weekly or monthly: the third Wednesday of each month or the third Wednesday of March, June, September and December of each year, as specified in the applicable Company Order, (2) quarterly: the third Wednesday of March, June, September and December of each year, as specified in the applicable Company Order, (3) semiannually: the third Wednesday of the two months of each year, as specified in the applicable Company Order; (4) annually: the third Wednesday of one month of each year, as specified in the applicable Company Order, and, in each case, the date of Maturity of such Floating Rate Note and, with respect to defaulted interest on such Floating Rate Note, the date established by the Company for the payment of such defaulted interest. If any Interest Payment Date (other than at Maturity) for any Floating Rate Note would fall on a day that is not a Business Day with respect to such Floating Rate Note, such Interest Payment Date will be the following day that is a Business Day with respect to such Floating Rate Note, except that, in the case of a LIBOR Note, if such Business Day with respect to such Floating Rate Note is in the next succeeding calendar month, such Interest Payment Date shall be the immediately preceding London Business Day.

(b) the term "Interest Payment Date" shall mean with respect to a Fixed Rate Note, including a Fixed Rate Amortizing Note, each January 15 and July 15, or such other dates which are specified in the applicable Company Order during the period such Fixed Rate Note is outstanding, the date of Maturity of such Fixed Rate Note, and with respect to defaulted interest on such Fixed Rate Note, the date established by the Company for the payment of such defaulted interest.

(C) Notwithstanding the foregoing, the first Interest Payment Date for any Note originally issued between a Record Date and the next Interest Payment Date shall be the Interest Payment Date following the next succeeding Record Date.

INTEREST RATE:

(a) The term "Interest Rate" for a particular Floating Rate Note shall mean (1) from the date of issue of such Floating Rate Note to the first Interest Reset Date for such Floating Rate Note, the Initial Interest Rate, and (2) each Interest Accrual Period commencing on or after such First Interest Reset Date, the Base Rate with reference to the Index Maturity for such Floating Rate Note as specified in the applicable Company Order plus or minus the Spread, if any, multiplied by the Spread Multiplier, if any; PROVIDED that in the event no Spread or Spread Multiplier is provided in such Company Order, the Spread and Spread Multiplier shall be zero and one, respectively; PROVIDED, FURTHER, in no event shall the Interest Rate be greater than the Maximum Interest Rate, if any, or less than the Minimum Interest Rate, if any; PROVIDED, FURTHER, the Interest Rate in effect for the ten days immediately prior to Maturity will be the Interest Rate in effect on the tenth day preceding such Maturity; and PROVIDED, FURTHER, the Interest Rate will in no event be higher than the maximum rate permitted by New York or other applicable law, as the same may be modified by United States federal laws of general application.

(b) The term "Interest Rate" for a particular fixed Rate Note shall mean the interest rate specified in the applicable Company Order.

INTEREST RATE BASIS; BASE RATE:

The term "Interest Rate Basis" or "Base Rate" shall mean with respect to (a) Commercial Paper Rate Notes, the Commercial Paper Rate, (b) LIBOR Notes, LIBOR, (c) Prime Rate Notes, the Prime Rate, (d) Treasury Rate Notes, the

Treasury Rate, and (e) any other Floating Rate Note, the interest rate formula which determines the variable rate at which such Note bears interest.

INTEREST RESET DATE:

The term "Interest Reset Date" shall mean, in the case of a Floating Rate Note specified in the applicable Company Order as being reset (a) daily: each Business Day; (b) weekly: the Wednesday of each week (with the exception of weekly reset Treasury Rate Notes which reset the Tuesday of each week, except as specified below); (c) monthly: the third Wednesday of each month; (d) quarterly: the third Wednesday of March, June, September and

December; (e) semiannually: the third Wednesday of the two months specified in the applicable Company Order; and (f) annually: the third Wednesday of the month specified in the applicable Company Order. If any Interest Reset Date for a Floating Rate Note would otherwise be a day which is not a Business Day, such Interest Reset Date shall be postponed to the next succeeding day that is a Business Day, except that in the case of a LIBOR Note, if such Business Day is in the next succeeding calendar month, such Interest Reset Date shall be the immediately preceding Business Day. If, in the case of a Treasury Rate Note, an Interest Reset Date shall fall on a day on which the Treasury auctions Treasury Bills, then such Interest Reset Date shall instead be the first Business Day immediately following such auction.

INTEREST RESET PERIOD:

The term "Interest Reset Period" shall mean for:

(a) each Floating Rate Note on which interest is reset monthly, quarterly, semiannually or annually, and each Fixed Rate Note, the period:

(1) beginning on and including the Original Issue Date of such Note or the most recent Interest Payment Date on which interest was paid on such Note, and

(2) ending on but not including the next Interest Payment Date or, for the last Interest Reset Period, the Maturity, of such Note;

(b) each Floating Rate Note on which interest is reset daily or weekly, the period:

(1) beginning on and including the Original Issue Date of such Floating Rate Note, or beginning on but excluding the most recent Record Date through which interest was paid on such Note, and

(2) ending on and including the next Record Date or, for the last Interest Reset Period, ending on but excluding Maturity, of such Note;

PROVIDED, HOWEVER, that the first Interest Reset Period for any Note which has its Original Issue date after a Record Date and prior to its next Interest Payment Date, shall begin on and include such Original Issue Date and (i) end on and include the next Record Date for Floating Rate Notes on which interest is reset daily or weekly, and (ii) end on but not include the second Interest Payment Date after the Original Issue Date for all other Notes.

ISSUE PRICE:

The term "Issue Price" shall mean the price expressed as a percentage of the aggregate principal amount of a Note at which such Note is issued.

LIBOR:

The term "LIBOR" for a particular Floating Rate Note, unless otherwise indicated in the applicable Company Order, shall mean, with respect to any LIBOR Interest Determination Date, the rate determined:

(i) with respect to any LIBOR Interest Determination Date, LIBOR shall be either: (a) if "LIBOR Reuters" is specified in the applicable Company Order, the arithmetic mean of the offered rates (unless the specified Designated LIBOR Page by its terms provides only for a single rate, in which case such single rate will be used) for deposits in United States dollars having the Index Maturity specified in the applicable Company Order, commencing on the second London Business Day immediately following such LIBOR Interest Determination Date, which appear on the Designated LIBOR Page specified in the applicable Company Order as of 11:00 A.M., London time, on that LIBOR Interest Determination Date, if at least two such offered rates appear (unless, as aforesaid, only a single rate is required) on such Designated LIBOR Page, or (b) if "LIBOR Telerate" is specified in the applicable Company Order, the rate for deposits in United States dollars having the Index Maturity specified in the applicable Company Order, commencing on the second London Business Day immediately following such LIBOR Interest Determination Date, which appears on the Designated LIBOR Page specified in the applicable Company Order as of 11:00 A.M., London time, on that LIBOR Interest Determination Date. Notwithstanding the foregoing, if fewer than two offered rates appear on the Designated LIBOR Page with respect to LIBOR Reuters (unless the specified Designated LIBOR Page by its terms provides only for a single rate, in which case such single rate will be used), or if no rate appears on the Designated LIBOR Page with respect to LIBOR Telerate, whichever may be applicable, LIBOR with respect to such LIBOR Interest Determination Date shall be determined as provided in clause (ii) below.

(ii) With respect to any LIBOR Interest Determination Date on which fewer than two offered rates appear on the Designated LIBOR Page with respect to LIBOR Reuters (unless the specified Designated LIBOR Page by its terms provides only for a single rate, in which case such single rate will be used), or if no rate appears on the Designated LIBOR Page with respect to LIBOR Telerate, as the case may be, the Calculation Agent shall request the principal London office of each of four major banks in the London interbank

market selected by the Calculation Agent to provide the Calculation Agent with its offered rate quotation for deposits in United States dollars for the period of the applicable Index Maturity specified in the applicable Company Order, commencing on the second London Business Day immediately following such LIBOR Interest Determination Date, to prime banks in the London interbank market as of 11:00 A.M., London time, on such LIBOR Interest Determination Date and in a principal amount that is representative for a single transaction in United States dollars in such market at such time. If at least two such quotations are provided, LIBOR with respect to such LIBOR Interest Determination Date shall be calculated by the Calculation Agent and shall be the arithmetic mean of such quotations. If fewer than two quotations are provided, LIBOR with respect to such LIBOR Interest Determination Date shall be the arithmetic mean of the rates quoted as of 11:00 A.M., New York City Time, on such LIBOR Interest Determination Date by three major banks in The City of New York selected by the Calculation Agent for loans in United States Dollars to leading European banks, commencing on the second London Business Day immediately following such LIBOR Interest Determination Date

having the Index Maturity specified in the applicable Company Order in a principal amount that is representative for a single transaction in such United States dollars in such market at such time; PROVIDED, HOWEVER, that if the banks so selected by the Calculation Agent are not quoting as mentioned in this sentence, LIBOR with respect to such LIBOR Interest Determination Date shall be LIBOR in effect immediately prior to such LIBOR Interest Determination Date.

LIBOR INTEREST DETERMINATION DATE:

The term "LIBOR Interest Determination Date" pertaining to an Interest Reset Date for a LIBOR Note shall mean the second London Business Day immediately preceding such Interest Reset Date, unless otherwise specified in the applicable Company Order.

LIBOR NOTES:

The term "LIBOR Notes" shall mean Floating Rate Notes which are specified in the applicable Company Order as bearing interest at an interest rate calculated with reference to LIBOR.

LONDON BUSINESS DAY:

The term "London Business Day" shall mean any day on which dealings in deposits in United States dollars are transacted in the London interbank market.

MATURITY:

The term "Maturity", when used with respect to any Note, shall mean the date on which the principal of such Note or an installment of principal becomes due and payable in accordance with its terms and the terms of this Indenture as therein or herein provided, whether at Stated Maturity, upon declaration of acceleration, call for redemption, repayment at the option of the Holder or otherwise.

MAXIMUM INTEREST RATE:

The term "Maximum Interest Rate" shall mean the maximum rate of interest, if any, which may be applicable to any Floating Rate Note during any Interest Accrual Period as specified in the applicable Company Order.

MINIMUM INTEREST RATE:

The term "Minimum Interest Rate" shall mean the minimum rate of interest, if any, which may be applicable to any Floating Rate Note during any Interest Accrual Period as specified in the applicable Company Order.

MONEY MARKET YIELD:

The term "Money Market Yield" shall be the yield (expressed as a percentage) calculated in accordance with the following formula:

$$\text{Money Market Yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where "D" refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal, and "M" refers to the actual number of days in the Interest Accrual Period for which interest is being calculated.

NOTE OR NOTES; OUTSTANDING:

The terms "Note or "Notes" shall mean any Fixed Rate or Floating Rate Note or Notes, as the case may be, authenticated and delivered under this Indenture, including any Global Note.

The term "outstanding," when used with reference to Notes, shall, subject to Section 10.04, mean, as of any particular time, all Notes authenticated and delivered by the Trustee under this Indenture, except

(a) Notes theretofore cancelled by the Company or delivered to the Company for cancellation;

(b) Notes, or portions thereof, for the payment or redemption of which moneys in the necessary amount shall have been deposited in trust with the Trustee or with any paying agent (other than the Company) or shall have been set aside and segregated in trust by the Company (if the Company shall act as its own paying agent);PROVIDED that if such Notes are to be redeemed prior to the Maturity thereof, notice of such redemption shall have been given as provided in Article Three, or provisions satisfactory to the Trustee shall have been made for giving such notice;

(c) Notes which shall have been Discharged; and

(d) Notes in lieu of or in substitution for which other Notes shall have been authenticated and delivered, or which have been paid, pursuant to Section 2.07;

NOTEHOLDER; HOLDER:

The terms "Noteholder" or "Holder" shall mean any Person in whose name at the time a particular Note is registered in the register of the Company kept for that purpose in accordance with the terms hereof.

OFFICERS' CERTIFICATE:

The term "Officers' Certificate" when used with respect to the Company, shall mean a certificate signed by the Chairman of the Board, the President or any Vice President and by the Secretary or an Assistant Secretary of the Company. Each such certificate shall include the statements provided for in Section 15.05 if and to the extent required by such Section.

OPINION OF COUNSEL:

The term "Opinion of Counsel" shall mean an opinion in writing signed by legal counsel, who may be an employee of the Company, or such other counsel who is satisfactory to the Trustee. Each such opinion shall include the statements provided for in Section 15.05 if and to the extent required by such Section. In the event that the Indenture requires the delivery of an Opinion of Counsel to the Trustee, the text and substance of which has been previously delivered to the Trustee, the Company may satisfy such requirement by the delivery by the legal counsel that delivered such previous Opinion of Counsel of a letter to the Trustee to the effect that the Trustee may rely on such previous Opinion of

Counsel as if such Opinion of Counsel was dated and delivered the date

delivery of such Opinion of Counsel is required.

OPTIONAL INTEREST RESET DATE:

The term "Optional Interest Reset Date" shall mean each date on which the interest rate on a Fixed Rate Reset Note or the Spread and/or Spread Multiplier of a Floating Rate Reset Note may be reset at the option of the Company.

ORIGINAL ISSUE DATE:

The term "Original Issue Date" shall mean for a particular Note, or portions thereof, the date upon which it, or such portion, was issued by the Company pursuant to this Indenture and authenticated by the Trustee (other than in connection with a transfer, exchange or substitution).

ORIGINAL ISSUE DISCOUNT NOTE:

The term "Original Issue Discount Note" shall mean (i) a Note that has a "stated redemption price at maturity" that exceeds its "issue price", each as defined for United States federal income tax purposes, by at least 0.25% of its stated redemption price at maturity multiplied by the number of complete years from the Original Issue Date to the Stated Maturity for such Note (or in the case of a Note that provides for payment of any amount other than the "qualified stated interest", as defined for United States federal income tax purposes, prior to maturity, the weighted average maturity of the Note) and (ii) any other Note designated by the Company in the applicable Company Order as issued with original issue discount for United States federal income tax purposes.

Permitted Encumbrances:

The term "Permitted Encumbrances" shall mean:

(a) (i) any mortgage, pledge or other lien or encumbrance on any property hereafter acquired or constructed by the Company or a Subsidiary, or on which property so constructed is located, and created prior to, contemporaneously with or within 360 days after, such acquisition or construction or the commencement of commercial operation of such property to secure or provide for the payment of any part of the purchase or construction price of such property, or (ii) any mortgage, pledge, or other lien or encumbrance upon such property existing at the time of acquisition thereof by the Company or any Subsidiary, whether or not assumed by the Company or such Subsidiary, or (iii) any

mortgage, pledge, or other lien or encumbrance existing on the property, shares of stock or indebtedness of a corporation at the time such corporation shall become a Subsidiary or any pledge of the shares of stock of such corporation prior to, contemporaneously with or within 360 days after such corporation shall become a Subsidiary to secure or provide for the payment of any part of the purchase price of such stock, or (iv) any conditional sales agreement or other title retention agreement with respect to any property hereafter acquired or constructed; PROVIDED that, in the case of clauses (i) through (iv), the lien of any such mortgage, pledge or other lien does not spread to property owned prior to such acquisition or construction or to other property thereafter acquired or constructed other than additions to such acquired or constructed property and other than property on which property so constructed is located; and PROVIDED, FURTHER, that if a firm commitment from a bank, insurance company or other lender or investor (not including the Company, a Subsidiary or an Affiliate of the Company) for the financing of the acquisition or construction of

property is made prior to, contemporaneously with or within the 360-day period hereinabove referred to, the applicable mortgage, pledge, lien or encumbrance shall be deemed to be permitted by this subsection (a) whether or not created or assumed within such period;

(b) any mortgage, pledge or other lien or encumbrance created for the sole purpose of extending, renewing or refunding any mortgage, pledge, lien or encumbrance permitted by subsection (a) of this definition; PROVIDED, HOWEVER, that the principal amount of indebtedness secured thereby shall not exceed the principal amount of indebtedness so secured at the time of such extension, renewal or refunding and that such extension, renewal or refunding mortgage, pledge, lien or encumbrance shall be limited to all or any part of the same property that secured the mortgage, pledge or other lien or encumbrance extended, renewed or refunded;

(c) liens for taxes or assessments or governmental charges or levies not then due and delinquent or the validity of which is being contested in good faith, and against which an adequate reserve has been established; liens on any property created in connection with pledges or deposits to secure public or statutory obligations or to secure performance in connection with bids or contracts; materialmen's, mechanics', carrier's, workmen's, repairmen's or other like liens; or liens on any property created in connection with deposits to obtain the release of such liens; liens on any property created in connection with deposits to secure surety, stay, appeal or customs bonds; liens created by

or resulting from any litigation or legal proceeding which is currently being contested in good faith by appropriate proceedings; leases and liens, rights of reverter and other possessory rights of the lessor thereunder; zoning restrictions, easements, rights-of-way or other restrictions on the use of real property or minor irregularities in the title thereto; and any other liens and encumbrances similar to those described in this subsection (c), the existence of which does not, in the opinion of the Company, materially impair the use by the Company or a Subsidiary of the affected property in the operation of the business of the Company or a Subsidiary, or the value of such property for the purposes of such business;

(d) any mortgage, pledge or other lien or encumbrance created after the date of this Indenture on any property leased to or purchased by the Company or a Subsidiary after that date and securing, directly or indirectly, obligations issued by a State, a territory or a possession of the United States, or any political subdivision of any of the foregoing, or the District of Columbia, to finance the cost of acquisition or cost of construction of such property; PROVIDED that the interest paid on such obligations is entitled to be excluded from gross income of the recipient pursuant to Section 103(a)(1) of the Internal Revenue Code of 1986, as amended (or any successor to such provision), as in effect at the time of the issuance of such obligations;

(e) any mortgage, pledge or other lien or encumbrance on any property now owned or hereafter acquired or constructed by the Company or a Subsidiary, or on which property so owned, acquired or constructed is located, to secure or provide for the payment of any part of the construction price or cost of improvements of such property, and created prior to, contemporaneously with or within 360 days after, such construction or improvement; PROVIDED that if a firm commitment from a bank, insurance company or other lender or investor (not including the Company, a Subsidiary or an Affiliate of the Company) for the financing of the acquisition or construction of property is made prior to, contemporaneously with or within the 360-day period hereinabove referred to, the applicable mortgage, pledge, lien or encumbrance shall be deemed to

be permitted by this subsection (e) whether or not created or assumed within such period; and

(f) any mortgage, pledge or other lien or encumbrance not otherwise permitted under this Section; PROVIDED that the aggregate amount of indebtedness secured by all such

mortgages, pledges, liens or encumbrances does not exceed the greater of $20,000,000 or 10% of Common Shareholders Equity.

PERSON:

The term "Person" shall mean any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

PRE-EXERCISE STATED MATURITY DATE:

The term "Pre-Exercise Stated Maturity Date" shall mean the Stated Maturity of a Note (including, if such Stated Maturity has previously been extended, the Stated Maturity as previously extended) in effect immediately prior to the Company's exercise of an option to extend such Stated Maturity for an Extension Period or the Holder's exercise of an option to renew such Note pursuant to provisions included in the applicable Company Order.

PRIME RATE:

The term "Prime Rate" for a particular Floating Rate Note, unless otherwise indicated in the applicable Company Order, shall mean, with respect to any Prime Rate Interest Determination Date, the rate on such date as published in H.15(519) under the heading "Bank Prime Loan." In the event that such rate is not published prior to 9:00 A.M., New York City time, on the Calculation Date pertaining to such Prime Rate Interest Determination Date, then the Prime Rate with respect to such Prime Rate Interest Determination Date shall be calculated by the Calculation Agent and shall be the arithmetic mean of the rates of interest publicly announced by each bank that appears on the Reuters Screen USPRIME1 as such bank's prime rate or base lending rate as in effect with respect to such Prime Rate Interest Determination Date. If fewer than four such rates appear on the Reuters Screen USPRIME1 with respect to such Prime Rate Interest Determination Date, the Prime Rate with respect to such Prime Rate Interest Determination Date shall be calculated by the Calculation Agent and shall be the arithmetic mean of the prime rates quoted on the basis of the actual number of days in the year divided by 360 as of the close of business on such Prime Rate Interest Determination Date by at least two of the three major money center banks in The City of New York selected by the Calculation Agent. If fewer than two quotations are provided, the Prime Rate with respect to such Prime Rate Interest Determination Date shall be determined on the basis of the rates furnished in The City of New York by the appropriate number of substitute banks or trust companies organized and doing business under the laws of the United States, or any state thereof, having total equity capital of at least $500,000,000 and being subject to supervision or

examination by federal or state authority, selected by the Calculation Agent to provide such rate or rates; PROVIDED, HOWEVER, that if the appropriate number of substitute banks or trust companies selected as aforesaid are not quoting as mentioned in this sentence, the Prime Rate with respect to such Prime Rate Interest Determination Date shall be the Prime Rate in effect

immediately prior to such Prime Rate Interest Determination Date.

PRIME RATE INTEREST DETERMINATION DATE:

The term "Prime Rate Interest Determination Date" pertaining to an Interest Reset Date for a particular Prime Rate Note shall mean the second Business Day immediately preceding such Interest Reset Date, unless otherwise specified in the applicable Company Order.

PRIME RATE NOTES:

The term "Prime Rate Notes" shall mean Floating Rate Notes which are specified in the applicable Company Order as bearing interest at an interest rate calculated with reference to the Prime Rate.

PRINCIPAL AMOUNT:

The term "principal amount" with respect to any Note shall mean the principal amount thereof set forth in the applicable Company Order; PROVIDED that in the case of any Original Issue Discount Note, its principal amount as of (i) any date that the principal amount of such Note is to be repaid prior to its Stated Maturity, whether upon declaration of acceleration, call for redemption, repayment at the option of the Holder or otherwise, or (ii) any date that any consent, notice, request, direction, waiver or suit by the Noteholders shall be deemed to be given, made or commenced under this Indenture, such term shall mean the Amortized Face Amount of such Note as of such date.

PRINCIPAL EXECUTIVE OFFICES OF THE COMPANY:

The term "principal executive offices of the Company" shall mean the place where the main corporate offices of the Company are located, currently 133 South Blair Street, Madison, Wisconsin 53701, or such other place where the main corporate offices of the Company are located as designated in an Officers' Certificate delivered to the Trustee.

PRINCIPAL FACILITY:

The term "Principal Facility" shall mean the real property, fixtures, machinery and equipment relating to any facility owned by the Company or any Subsidiary (which may include a network of electric or gas distribution facilities or a network of electric or gas transmission facilities), except any facility that, in the opinion of the Board of Directors, is not of material importance to the business conducted by the Company and its Subsidiaries, taken as a whole.

RECORD DATE:

The term "Record Date" shall mean for the Interest Payment Date for the payment of interest for an Interest Reset Period for a particular Note, unless otherwise specified in the applicable Company Order, (a) the day which is fifteen calendar days prior to such Interest Payment Date, whether or not such day is a Business Day, (b) the date of Maturity of such Note, unless such date of Maturity for a Fixed Rate Note is a January 1 or a July 1, in which event the Record Date will be as provided in clause (a), and (c) a date which is not less than five Business Days preceding the Interest Payment Date of defaulted interest on such Note established by notice given by first-class mail by or on behalf of the Company to the Holder of such Note not less than fifteen days prior to such Interest Payment Date.

REDEMPTION DATE:

The term "Redemption Date" for a Note shall mean the date fixed for the redemption of such Note in accordance with the provisions of this Indenture.

REGULATED SUBSIDIARY:

The term "Regulated Subsidiary" shall mean any Subsidiary which owns or operates facilities used for the generation, transmission or distribution of electric energy and is subject to the jurisdiction of any governmental authority of the United States or any state or political subdivision thereof, as to any of its: rates; services; accounts; issuances of securities; affiliate transactions; or construction, acquisition or sale of any such facilities, except that any "exempt wholesale generator", as defined in 15 USC 79z-5a(a)(1), "qualifying facility", as defined in 18 CFR 29z,101(b)(1), "foreign utility company", as defined in 15 USC 79z-5b(a)(3) and "power marketer", as defined in NORTHWEST POWER MARKETING COMPANY, L.L.C., 75 FERC PARA61,281, shall not be a Regulated Subsidiary.

RESET NOTE:

The term "Reset Note" shall mean a Fixed Rate Note, with respect to which the Company has the option to reset the interest rate, and a Floating Rate Note, with respect to which the Company has the option to reset the Spread and/or Spread Multiplier.

RESET NOTICE:

The term "Reset Notice" shall mean a notice sent by the Trustee by telegram, telex, facsimile transmission, hand delivery or letter (first class, postage prepaid) to the Holder of a Reset Note with respect to which the Company has exercised its option to reset the interest rate or the Spread and/or the Spread Multiplier, indicating (i) that the Company has elected to exercise such option, (ii) such new interest rate or Spread and/or Spread Multiplier and (iii) any provisions for redemption of such Note during the Subsequent Interest Period commencing on the applicable Optional Interest Reset Date.

RESPONSIBLE OFFICER:

The term "responsible officer" or "responsible officers" when used with respect to the Trustee shall mean one or more of the following: the chairman of the board of directors, the vice chairman of the board of directors, the chairman of the executive committee, the vice chairman of the executive committee, the chairman of the trust committee, the president, any vice president, the cashier, the secretary, the treasurer, any trust officer, any second or assistant vice president, any assistant cashier, any assistant secretary, any assistant treasurer, any assistant trust officer or any other officer or assistant officer of the Trustee customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of his or her knowledge of and familiarity with the particular subject.

REUTERS SCREEN USPRIME1:

The term "Reuters Screen USPRIME1" shall mean the display designated as page "USPRIME1" on the Reuters Monitor Money Rate Service (or such other page which may replace the USPRIME1 page on such service for the purpose of displaying the prime rate or base lending rate of major banks).

SPREAD:

The term "Spread" applicable to a particular Floating Rate Note shall

mean the number of Basis Points above or below the Base Rate for such Floating Rate Note as specified in the

applicable Company Order, used in the calculation of the Interest Rate for such Floating Rate Note.

SPREAD MULTIPLIER:

The term "Spread Multiplier" applicable to a particular Floating Rate Note shall mean the percentage of the Base Rate (plus or minus any applicable Spread) for such Floating Rate Note as specified in the applicable Company Order, used in the calculation of the Interest Rate for such Floating Rate Note.

STATED MATURITY:

The term "Stated Maturity", when used with respect to any Note shall mean the date specified in such Note as the date on which the principal of such Note is due and payable, or the date specified as the Stated Maturity (i) in an Extension Notice or (ii) in accordance with procedures included in the applicable Company Order pursuant to which the Holder may renew such Note.

SUBSEQUENT INTEREST PERIOD:

The term "Subsequent Interest Period" shall mean a period from an Optional Interest Reset Date of a Note to the next Optional Interest Reset Date of such Note or, if there is no such next Optional Interest Reset Date, to the Stated Maturity of such Note.

SUBSIDIARY:

The term "Subsidiary" shall mean any corporation of which at least a majority of the outstanding stock having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation, irrespective of whether or not at the time stock of any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency, is at the time, directly or indirectly, owned or controlled by the Company or by one or more Subsidiaries thereof, or by the Company and one or more Subsidiaries.

TREASURY:

The term "Treasury" shall mean the United States Department of Treasury.

TREASURY BILLS:

The term "Treasury Bills" shall mean direct obligations of the United States.

TREASURY RATE:

The term "Treasury Rate" for a particular Floating Rate Note, unless otherwise indicated in the applicable Company Order, shall mean, with respect to any Treasury Rate Interest Determination Date, the rate resulting from the most recent auction of Treasury Bills having the Index Maturity specified in the applicable Company Order, as such rate is published in H.15(519) under the heading "Treasury bills-auction average (investment)" or, if not so published by 3:00 P.M., New York City time, on the Calculation Date

pertaining to such Treasury Rate Interest Determination Date, the average auction rate on such Treasury Rate Determination Date (expressed as a bond equivalent, on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) as otherwise announced by the Treasury. In the event that the results of the auction of Treasury Bills having the specified Index Maturity are not reported as provided above by 3:00 P.M., New York City time, on such Calculation Date pertaining to such Treasury Rate Determination Date, or if no such auction is held in a particular week, then the Treasury Rate with respect to such Treasury Rate Interest Determination Date shall be calculated by the Calculation Agent and shall be a yield to maturity (expressed as a bond equivalent, on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) of the arithmetic mean of the secondary market bid rates, as of approximately 3:30 P.M., New York City time, on such Treasury Rate Interest Determination Date, of three leading primary United States government securities dealers selected by the Calculation Agent, for the issue of Treasury Bills with a remaining maturity closest to the Index Maturity specified in the applicable Company Order; PROVIDED, HOWEVER, that if the dealers selected as aforesaid by the Calculation Agent are not quoting as set forth above, the Treasury Rate with respect to such Treasury Rate Interest Determination Date shall be the Treasury Rate in effect immediately prior to such Treasury Rate Interest Determination Date.

TREASURY RATE INTEREST DETERMINATION DATE:

The term "Treasury Rate Interest Determination Date" pertaining to an Interest Reset Date for a Treasury Rate Note shall mean the day of the week in which its Interest Reset Date falls on which Treasury Bills normally would be auctioned; PROVIDED, HOWEVER, that if as a result of a legal holiday an auction is held on the Friday of the week preceding such Interest Reset Date, the related Treasury Rate Interest Determination Date shall be such Friday, unless otherwise specified in the applicable Company Order.

TREASURY RATE NOTES:

The term "Treasury Rate Notes" shall mean Floating Rate Notes which are specified in the applicable Company Order as bearing interest at an interest rate calculated with reference to the Treasury Rate.

TRUSTEE:

The term "Trustee" shall mean Bank One, N.A. and, subject to Article Nine, shall also include any successor Trustee.

U.S. GOVERNMENT OBLIGATIONS:

The term "U.S. Government Obligations" shall mean securities that are (i) direct obligations of the United States for the payment of which its full faith and credit is pledged, or (ii) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States, which, in either case under clauses (i) or (ii), are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; PROVIDED that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

WHOLLY-OWNED SUBSIDIARY:

The term "Wholly-Owned Subsidiary" shall mean a Subsidiary of which all of the outstanding voting stock (other than directors' qualifying shares) is at the time, directly or indirectly, owned by the Company, or by one or more Wholly-Owned Subsidiaries of the Company or by the Company and one or more Wholly-Owned Subsidiaries.

YIELD TO MATURITY:

The term "Yield to Maturity" shall mean for a particular Note the yield to maturity of such Note, computed in accordance with generally accepted United States bond yield computation principles and expressed as a percentage, specified in the applicable Company Order.

ZERO COUPON NOTE:

The term "Zero Coupon Note" means a Note issued at a price representing a discount from the principal amount payable at Maturity and bearing a zero fixed rate of interest.

ARTICLE TWO

FORM, ISSUE, EXECUTION, REGISTRATION AND EXCHANGE OF NOTES

SECTION 2.01. FORM GENERALLY.

(a) The Notes shall be titled "Medium-Term Notes", and, if such Notes shall be in the form of (a) a Fixed Rate Note which is a Global Note, shall be in substantially the form set forth in EXHIBIT A, (b) a Fixed Rate Note which is not a Global Note, shall be in substantially the form set forth in EXHIBIT B, (c) a Floating Rate Note which is a Global Note, shall be in substantially the form set forth in EXHIBIT C, and (d) a Floating Rate Note which is not a Global Note, shall be in substantially the form set forth in EXHIBIT D, to this Indenture, or in any such case such other form as shall be established by a Board Resolution, or an Officers' Certificate pursuant to a Board Resolution, or in one or more indentures supplemental hereto, in each 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 with applicable law or as may, consistently herewith, be determined by the officers executing such Notes, as evidenced by their execution of such Notes. If the form of Notes is established by a Board Resolution, or an Officers' Certificate pursuant to a Board Resolution, a copy of such Board Resolution or Officers' Certificate shall be delivered to the Trustee at or prior to the delivery to the Trustee of the Company Order contemplated by Section 2.05 for the authentication and delivery of such Notes.

(b) The definitive Notes shall be printed, lithographed or engraved on steel engraved borders or may be produced in any other manner, all as determined by the officers executing such Notes, as evidenced by their execution of such Notes.

SECTION 2.02. FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION. The Trustee's certificate of authentication on all Notes shall be in substantially the following form:

Trustee's Certificate of Authentication

This is one of the Notes referred to in the within-mentioned Indenture.

BANK ONE, N.A., as Trustee

By _____
Authorized Signatory

SECTION 2.03. AMOUNT UNLIMITED. The aggregate principal amount of Notes which may be authenticated and delivered under this Indenture is unlimited.

SECTION 2.04. DENOMINATIONS, DATES, INTEREST PAYMENT AND RECORD DATES.

(a) The Notes shall be issuable in registered form without coupons in denominations of $1,000 and integral multiples thereof, unless otherwise specified in the applicable Company Order.

(b) Each Note shall be dated and issued as of the date of its authentication by the Trustee, and shall bear an Original Issue Date or, as provided in Section 2.12(e), two or more Original Issue Dates; each Note issued upon transfer, exchange or substitution of a Note shall bear the Original Issue Date or Dates of such transferred, exchanged or substituted Note, subject to Section 2.12(e).

(c) Each Note shall bear interest, if any, at its Interest Rate during each Interest Reset Period for such Note, from the later of (1) its Original Issue Date (or, if pursuant to Section 2.12, a Global Note has two or more Original Issue Dates, interest shall, beginning on each such Original Issue Date, begin to accrue for that part of the principal amount of such Global Note to which that Original Issue Date is applicable), or (2) the most recent date to which any interest has been paid or duly provided for until the principal of such Note is paid or funds are made available for such payment, and Accrued Interest on each Note shall be payable for each Interest Reset Period on the Interest Payment Date immediately subsequent to the Record Date for the payment of interest for such Interest Reset Period.

(d) All percentages resulting from any calculation of the Interest Rate for a Floating Rate Note shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with five one-millionths of a percentage point rounded

upward (e.g., 9.876545% (or .09876545) being rounded to 9.87655% (or .0987655)), and all dollar amounts used in or resulting from such calculation shall be rounded to the nearest cent (with one-half cent being rounded upward).

(e) Each Note shall mature on a date specified in such Note not less than nine months nor more than 30 years after its Original Issue Date, and the principal amount of each outstanding Note shall be payable on the Maturity date specified therein.

(f) The Person in whose name any Note is registered at the close of business on any Record Date with respect to an Interest Payment Date for such Note shall be entitled to receive the Accrued Interest payable on such Note on such Interest Payment Date notwithstanding the cancellation of such Note upon any registration of transfer, exchange or substitution of such Note subsequent to such Record Date and prior to such Interest Payment Date.

(g) The Company shall cause the Calculation Agent to calculate each Interest Rate applicable to each Floating Rate Note in accordance with this Indenture, and the Company shall, or shall cause the Calculation Agent to, notify the Trustee of each determination of such Interest Rate promptly after such determination. The Calculation Agent's determination of any Interest Rate shall be final and binding in the absence of manifest error.

(h) On the fifth Business Day immediately preceding each Interest Payment Date, the Trustee shall furnish to the Company a notice setting forth the total amount of the Accrued Interest payments to be made on such Interest Payment Date, and to the Depositary a notice setting forth the total amount of Accrued Interest payments to be made on Global Notes on such Interest Payment Date. The Trustee will provide monthly to the Company a list of the principal of and any premium and Accrued Interest to be paid on Notes in the next succeeding month and to the Depositary a list of the principal of and any premium and Accrued Interest to be paid on Global Notes in the such succeeding month. Promptly after the first Business Day of each month, the Trustee shall furnish to the Company a written notice setting forth the aggregate principal amount of the Global Notes. The Company will provide to the Trustee not later than the payment date sufficient moneys to pay in full all principal of and any premium and Accrued Interest payments due on such payment date. The Trustee shall be responsible for withholding taxes on interest paid as required by law.

(i) Upon the request of any Noteholder of a Floating Rate Note, the Trustee shall provide to such Noteholder the Interest Rate then in effect and, if then determined, the Interest Rate that will become effective on the next Interest Reset Date, with respect to such Floating Rate Note.

SECTION 2.05. EXECUTION, AUTHENTICATION, DELIVERY AND DATING.

(a) The Notes shall be executed on behalf of the Company by the Chairman of the Board, the President or any Vice President and by the Secretary or an Assistant Secretary. The signature of any of such officers on any Notes may be manual or facsimile.

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

(c) At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Notes executed by the Company to the Trustee for authentication, together with one or more Company Orders for the authentication and delivery of such Notes, and the Trustee in accordance with any such Company Order shall authenticate such Notes and make them available for delivery. Prior to authenticating such Notes, and in accepting the additional responsibilities under this Indenture in relation to such Notes, the Trustee shall be entitled to receive the following only at or before the first issuance of Notes, and (subject to Section 9.01) shall be fully protected in relying upon:

(1) a Board Resolution authorizing this Indenture and the Notes, and if applicable, an appropriate record of any action taken pursuant to such Board Resolution, certified by the Secretary or an Assistant Secretary of the Company;

(2) an Officers' Certificate designating one or more officers of the Company who are authorized to give Company Orders for the issuance of, and specifying terms of, Notes and, if appropriate, setting forth

the form of Notes in accordance with Section 2.01;

(3) an Opinion of Counsel stating,

(A) if the form of Notes has been established by or pursuant to a Board Resolution, an Officers' Certificate pursuant to a Board

Resolution, or a supplemental indenture as permitted by Section 2.01, that such form has been established in conformity with this Indenture;

(B) that the Indenture has been duly authorized, executed and delivered by the Company and constitutes a valid and legally binding agreement of the Company, enforceable in accordance with its terms, subject to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting the enforcement of creditors' rights and to general equity principles;

(C) that the Indenture and the Bond Indenture are qualified under the TIA;

(D) that any supplemental indenture referred to in (A) above has been duly authorized, executed and delivered by the Company and constitutes a legal, valid and binding agreement of the Company, enforceable in accordance with its terms, subject to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting the enforcement of creditors' rights and to general equity principles;

(E) that the Notes, when authenticated and delivered by the Trustee and issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel consistent with the terms of this Indenture, will constitute legal, valid and legally binding obligations of the Company, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting the enforcement of creditors' rights and to general equity principles;

(F) that all laws and requirements in respect of the execution, delivery and sale by the Company of the Notes have been complied with;

(G) that the Company is not in default in any of its obligations under this Indenture

or the Bond Indenture, and that the issuance of the Notes will not result in any such default; and

(H) such other matters as the Trustee may reasonably request.

(d) The Trustee shall have the right to decline to authenticate and deliver any Note:

(1) if the issuance of such Note pursuant to this Indenture will affect the Trustee's own rights, duties or immunities under the Notes

and this Indenture or otherwise in a manner which is not reasonably acceptable to the Trustee;

(2) if the Trustee, being advised by counsel, determines that such action may not lawfully be taken; or

(3) if the Trustee in good faith by its Board of Directors, executive committee or a trust committee of directors and/or responsible officers in good faith determines that such action would expose the Trustee to personal liability to Holders of any outstanding Notes.

(e) No Note shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Note a certificate of authentication substantially in the form provided for herein executed by the Trustee by manual signature, and such certificate upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly authenticated and delivered hereunder and is entitled to the benefits of this Indenture; PROVIDED, HOWEVER, that if any Note shall have been authenticated and delivered hereunder but never issued and sold by the Company, and the Company shall deliver such Note to the Trustee for cancellation as provided in Section 2.09, for all purposes of this Indenture such Note shall be deemed never to have been authenticated and delivered hereunder and shall never be entitled to the benefits of this Indenture.

SECTION 2.06. EXCHANGE AND REGISTRATION OF TRANSFER OF NOTES.

(a) Subject to Section 2.12, Notes may be exchanged for one or more new Notes of any authorized denominations and of a like aggregate principal amount and Stated Maturity and having the same terms and Original Issue Date or Dates. Notes to be exchanged shall be surrendered at any of the offices or agencies to be maintained by the Company for such purpose as provided in Section 6.02, and the Company shall execute and register and the Trustee

shall authenticate and deliver in exchange therefor the Note or Notes which the Noteholder making the exchange shall be entitled to receive.

(b) The Trustee on behalf of the Company shall keep, at one of said offices or agencies, a register in which, subject to such reasonable regulations as it or the Company may prescribe, the Trustee shall register or cause to be registered Notes and shall register or cause to be registered the transfer of Notes as in this Article Two provided. Such register shall be in written form or in any other form capable of being converted into written form within a reasonable time. At all reasonable times such register shall be open for inspection by the Trustee. Upon due presentment for registration of transfer of any Note at any such office or agency, the Company shall execute and register or cause to be registered and the Trustee shall authenticate and make available for delivery, in the name of the transferee or transferees, one or more new Notes of any authorized denominations and of a like aggregate principal amount and Stated Maturity and having the same terms and Original Issue Date or Dates.

(c) All Notes presented for registration of transfer or for exchange, redemption or payment shall (if so required by the Company) be duly endorsed by, or be accompanied by a written instrument or instruments of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder or the attorney of such Holder duly authorized in writing.

(d) No service charge shall be made for any exchange or registration of transfer of Notes, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith.

(e) The Company shall not be required to exchange or register a transfer of any Notes selected, called or being called for redemption except, in the case of any Note to be redeemed in part, the portion thereof not to be so redeemed.

(f) If the principal amount and any applicable premium of part but not all of a Global Note is paid, then upon surrender to the Trustee of such Global Note, the Company shall execute, and the Trustee shall authenticate, and make available for delivery, a Global Note in an authorized denomination in aggregate principal amount equal to, and having the same terms and Original Issue Date or Dates as, the unpaid portion of such Global Note.

SECTION 2.07. MUTILATED, DESTROYED, LOST OR STOLEN NOTES.

(a) In case any temporary or definitive Note shall become mutilated or be destroyed, lost or stolen, the Company in its discretion may execute, and upon its request the Trustee shall authenticate and deliver, a new Note of like form and principal amount and having the same terms and Original Issue Date or Dates and bearing a number not contemporaneously outstanding, in exchange and substitution for the mutilated Note, or in lieu of and in substitution for the Note so destroyed, lost or stolen. In every case the applicant for a substituted Note shall furnish to the Company, the Trustee, any Authenticating Agent or Note registrar such security or indemnity as may be required by them to save each of them harmless, and, in every case of destruction, loss or theft of a Note, the applicant shall also furnish to the Company and to the Trustee evidence to their satisfaction of the destruction, loss or theft of such Note and of the ownership thereof.

(b) The Trustee may authenticate any such substituted Note and deliver the same upon the written request or authorization of any officer of the Company. Upon the issuance of any substituted Note, 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 expenses connected therewith. In case any Note which has matured or is about to mature shall become mutilated or be destroyed, lost or stolen, the Company may, instead of issuing a substituted Note, pay or authorize the payment of the same (without surrender thereof except in the case of a mutilated Note) if the applicant for such payment shall furnish to the Company, the Trustee, any Authenticating Agent or Note registrar such security or indemnity as may be required by them to save each of them harmless and, in case of destruction, loss or theft, evidence satisfactory to the Company and the Trustee of the destruction, loss or theft of such Note and of the ownership thereof.

(c) Every substituted Note issued pursuant to this Section 2.07 by virtue of the fact that any Note is destroyed, lost or stolen shall constitute an additional contractual obligation of the Company, whether or not such destroyed, lost or stolen Note shall be found at any time, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Notes duly issued hereunder. All Notes shall be held and owned upon the express condition that, to the extent permitted by law, the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes and shall preclude any and all other rights or remedies notwithstanding any law or statute existing or hereafter enacted to

the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

SECTION 2.08. TEMPORARY NOTES. Pending the preparation of definitive

Notes, the Company may execute and the Trustee shall authenticate and make available for delivery, temporary Notes (printed, lithographed or otherwise reproduced). Temporary Notes shall be issuable in any authorized denomination and substantially in the form of the definitive Notes but with such omissions, insertions and variations as may be appropriate for temporary Notes, all as may be determined by the Company. Every such temporary Note shall be authenticated by the Trustee upon the same conditions and in substantially the same manner, and with the same effect, as the definitive Notes. Without unreasonable delay the Company will execute and register and will deliver to the Trustee definitive Notes and thereupon any or all temporary Notes may be surrendered in exchange therefor, at the Corporate Trust Office of the Trustee, and the Trustee shall authenticate and deliver in exchange for such temporary Notes an equal aggregate principal amount of definitive Notes. Such exchange shall be made by the Company at its own expense and without any charge therefor to the Noteholders. Until so exchanged, the temporary Notes shall in all respects be entitled to the same benefits under this Indenture as definitive Notes authenticated and made available for delivery hereunder.

SECTION 2.09. CANCELLATION OF NOTES PAID, ETC. All Notes surrendered for the purpose of payment, redemption, exchange or registration of transfer shall be surrendered to the Trustee for cancellation and promptly cancelled by it and no Notes shall be issued in lieu thereof except as expressly permitted by this Indenture. All Notes so cancelled shall be retained by the Trustee. If the Company shall acquire any of the Notes, however, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Notes unless and until the same are cancelled by the Trustee.

SECTION 2.10. INTEREST RIGHTS PRESERVED. Each Note delivered under this Indenture upon transfer of or in exchange for or in lieu of any other Note shall carry all the rights to unpaid Accrued Interest, and interest to accrue, which were carried by such other Note, and each such Note shall be so dated that neither gain nor loss of interest shall result from such transfer, exchange or substitution.

SECTION 2.11. PAYMENT OF NOTES. Unless otherwise specified in the applicable Company Order, the principal of and any premium and Accrued Interest on all Notes shall be payable in such coin or currency of the United States of America as at the time of

payment is legal tender for payment of public and private debts as follows:

(a) On or before 10:00 a.m., New York City time, of the day on which any payment of principal, Accrued Interest or premium is due on any Global Note pursuant to the terms thereof, the Company shall deliver to the Trustee immediately available funds sufficient to make such payment. On or before 10:30 a.m., New York City time or such other time as shall be agreed upon between the Trustee and the Depositary, of the day on which such payment is due, the Trustee shall deposit with the Depositary such funds by wire transfer into the account specified by the Depositary. As a condition to the payment at the Maturity of any part of the principal and any applicable premium of any Global Note, the Depositary shall surrender, or cause to be surrendered, such Global Note to the Trustee, whereupon a new Global Note shall be issued to the Depositary pursuant to Section 3.03(d).

(b) With respect to any Note that is not a Global Note, principal, any premium and Accrued Interest due at the Maturity of such Note shall be payable in immediately available funds when due upon presentation and surrender of such Note at the Corporate Trust Office of the Trustee; PROVIDED that this Note is presented to the Trustee in time for the Trustee to make such payment in such funds in accordance with its normal procedures. Accrued Interest on (and, in the case of Amortizing Notes, installments of principal

of) any Note that is not a Global Note (other than Accrued Interest or such installments payable at Maturity) shall be paid by a clearinghouse funds check mailed on the Interest Payment Date; PROVIDED, HOWEVER, that if any Holder of Notes, the aggregate principal amount of which equals or exceeds $10,000,000, provides a written request to the Trustee on or before the applicable Record Date for such Interest Payment Date, Accrued Interest (and such installments of principal) shall be paid by wire transfer of immediately available funds to a bank within the continental United States or by direct deposit into the account of such Holder if such account is maintained with the Trustee.

SECTION 2.12. NOTES ISSUABLE IN THE FORM OF A GLOBAL NOTE.

(a) If the Company shall establish pursuant to Section 2.05 that particular Notes are to be issued in whole or in part in the form of one or more Global Notes, then the Company shall execute and the Trustee shall, in accordance with Section 2.05 and the Company Order delivered to the Trustee thereunder, authenticate and make available for delivery, such Global Note or Notes, which (1) shall represent, shall be denominated in an amount equal to the aggregate principal amount of, and shall have the same terms as, the outstanding Notes to be represented by such Global Note or

Notes, (2) shall be registered in the name of the Depositary or its nominee, (3) shall be delivered by the Trustee to the Depositary or pursuant to the Depositary's instruction and (4) shall bear a legend substantially to the following effect: "This Note is a Global Note registered in the name of the Depositary or a nominee thereof and, unless and until it is exchanged in whole or in part for the individual Notes represented hereby, this Global Note may not be transferred except as a whole by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or by the Depositary or any such nominee to a successor Depositary or a nominee of such successor Depositary."

(b) Notwithstanding any other provision of Section 2.06 or of this Section 2.12, unless the terms of a Global Note expressly permit such Global Note to be exchanged in whole or in part for individual Notes, a Global Note may be transferred, in whole but not in part, only to a nominee of the Depositary, or by a nominee of the Depositary to the Depositary, or to a successor Depositary for such Global Note selected or approved by the Company or to a nominee of such successor Depositary.

(c) (1) If at any time the Depositary for a Global Note notifies the Company that such Depositary is unwilling or unable to continue as Depositary for such Global Note or if at any time the Depositary for a Global Note shall no longer be registered as a clearing agency under the Securities Exchange Act of 1934, as amended, or any successor statute or regulation, the Company may appoint a successor Depositary with respect to such Global Note. If (A) a successor Depositary for such Global Note is not appointed by the Company within 90 days after the Company receives such notice or becomes aware of such ineligibility, or (B) any Notes are represented by a Global Note at a time when an Event of Default with respect to the Notes shall have occurred and be continuing, then in each case the Company's election pursuant to the applicable Company Order shall no longer be effective with respect to such Global Note and the Company shall execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of individual Notes of like tenor and terms in exchange for such Global Note, shall authenticate and make available for delivery, individual Notes of like tenor and terms in definitive form in an aggregate principal amount equal to the principal amount of such Global Note in exchange for such Global Note. The Trustee shall not be charged with knowledge of notice of the ineligibility of a Depositary unless a responsible officer assigned to and working in its corporate trust administration department shall have actual knowledge thereof.

(2) The Company may at any time and in its sole discretion determine that one or more Notes issued or issuable in

the form of one or more Global Notes shall no longer be represented by such Global Note or Notes. In such event the Company shall execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of individual Notes of like tenor and terms in exchange for such Global Note or Notes, shall authenticate and make available for delivery, individual Notes of like tenor and terms in definitive form in an aggregate principal amount equal to the principal amount of such Global Note or Notes in exchange for such Global Note or Notes.

(3) If agreed upon by the Company and the Depositary with respect to Notes issued in the form of a Global Note, the Depositary for such Global Note shall surrender such Global Note in exchange in whole or in part for individual Notes of like tenor and terms in definitive form on such terms as are acceptable to the Company and such Depositary. Thereupon the Company shall execute, and the Trustee shall authenticate and make available for delivery, without a service charge, (A) to each Person specified by the Depositary, a new Note or Notes of like tenor and terms, and of any authorized denominations as requested by such Person in aggregate principal amount equal to and in exchange for the beneficial interest of such Person in such Global Note; and (B) to such Depositary a new Global Note of like tenor and terms and in a denomination equal to the difference, if any, between the principal amount of the surrendered Global Note and the aggregate principal amount of Notes delivered to Holders thereof.

(4) In any exchange provided for in Section 2.12(c)(1),(2) or (3), the Company will execute and the Trustee will authenticate and make available for delivery, individual Notes in definitive registered form in authorized denominations. Upon the exchange of a Global Note for individual Notes, such Global Note shall be cancelled by the Trustee. Notes issued in exchange for a Global Note pursuant to this Section 2.12 shall be registered in such names and in such authorized denominations as the Depositary for such Global Note, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee. The Trustee shall deliver such Notes to the Depositary for delivery to the Persons in whose names such Notes are so registered, or if the Depositary shall refuse or be unable to deliver such Notes, the Trustee shall deliver such Notes to the Persons in whose names such Notes are registered, unless otherwise agreed upon by the Trustee and the Company.

(d) Neither the Company, the Trustee or any Authenticating Agent will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in a Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

(e) Pursuant to the provisions of this subsection, at the option of the Trustee and upon thirty days' written notice to the Depositary, the Depositary shall be required to surrender any two or more Global Notes which have identical terms, including, without limitation, identical maturities, interest rates and redemption provisions (but which may have differing Original Issue Dates) to the Trustee, and the Company shall execute and the Trustee shall authenticate and deliver to, or at the direction of, the Depositary a Global Note in principal amount equal to the aggregate principal amount of, and with all terms identical to, the Global Notes so surrendered

to the Trustee, and such new Global Note shall indicate each applicable Original Issue Date and the principal amount applicable to each such Original Issue Date. The exchange contemplated in this subsection shall be consummated at least 30 days prior to any Interest Payment Date applicable to any of the Global Notes so surrendered to the Trustee. Upon any exchange of any Global Note with two or more Original Issue Dates, whether pursuant to this Section or pursuant to Section 2.06 or Section 3.03, the aggregate principal amount of the Notes with a particular Original Issue Date shall be the same before and after such exchange, giving effect to any retirement of Notes and the Original Issue Dates applicable to such Notes occurring in connection with such exchange.

SECTION 2.13. CUSIP NUMBERS. The Company in issuing Notes may use CUSIP numbers (if then generally in use), and, if so, the Trustee shall use CUSIP numbers in notices of redemption as a convenience to Noteholders; PROVIDED that any such notice may state that no representation is made as to the correctness of such CUSIP numbers either as printed on the Notes or as contained in any notice of redemption and that reliance may be placed only on the other identification numbers printed on the Notes, and any such redemption shall not be affected by any defect in or omission of such numbers.

ARTICLE THREE

REDEMPTION OF NOTES; REPAYMENT PRIOR TO STATED MATURITY

SECTION 3.01. APPLICABILITY OF REDEMPTION PROVISIONS. Unless otherwise specified in the applicable Company Order, the Notes will not be subject to any sinking fund. If a Company Order specifies an Initial Redemption Date for a Note, the Company shall have an option to redeem such Note prior to its Stated Maturity on the date or dates and at the prices specified in such Company Order, all as provided for in Sections 3.02 and 3.03.

SECTION 3.02. NOTICE OF REDEMPTION; SELECTION OF NOTES.

(a) The election of the Company to redeem any Notes shall be evidenced by a Board Resolution which shall be given with notice of such redemption to the Trustee at least ten Business Days prior to the giving of the notice of redemption to Holders of such Notes. The selection of Notes or portions thereof to be redeemed prior to their Stated Maturity shall be in the sole discretion of the Company; PROVIDED that the Company shall give notice thereof to the Trustee in accordance with Section 3.02(b). Each Note which by its terms is redeemable prior to its Stated Maturity may be redeemed by the Company in whole or in part without also redeeming any other Note which is redeemable prior to its Stated Maturity.

(b) Notice of redemption to each Holder of Notes to be redeemed as a whole or in part shall be given by the Company (or, at the Company's request, by the Trustee in the name and at the expense of the Company) in the manner provided in Section 15.10 at least 30 but not more than 60 calendar days prior to the Redemption Date. Any notice which is given in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the Noteholder receives the notice. In any case, failure duly to give such notice, or any defect in such notice, to the Holder of any Note designated for redemption as a whole or in part shall not affect the validity of the proceedings for the redemption of any other Note.

(c) Each such notice shall specify the Redemption Date, the places of redemption and the redemption price at which such Notes are to be redeemed, and shall state that payment of the redemption price of such Notes or portion thereof to be redeemed will be made on surrender of such Notes at such places of redemption, that Accrued Interest to the Redemption Date will be paid as specified in such notice and that from and after such date interest thereon

will cease to accrue. If less than all the Notes having the same terms are to be redeemed, the notice shall specify the particular Notes or portions thereof to be redeemed. In case any Note is to be redeemed in part only, the notice which relates to such Note shall state the portion of the principal amount thereof to be redeemed, and shall state that, upon surrender of such Note, a new Note or Notes having the same terms in aggregate principal amount equal to the unredeemed portion thereof will be issued.

(d) If at the time of the mailing of any notice of redemption the Company shall not have irrevocably directed the Trustee to apply funds deposited with the Trustee or held by it and available to be used for the redemption of Notes to redeem all the Notes called for redemption, such notice may state that it is subject to the receipt of the redemption moneys by the Trustee

before the Redemption Date and that such notice shall be of no effect unless such moneys are so received before such date.

SECTION 3.03. PAYMENT OF NOTES ON REDEMPTION; DEPOSIT OF REDEMPTION PRICE.

(a) If notice of redemption shall have been given as provided in Section 3.02, such Notes or portions of Notes called for redemption shall become due and payable on the date and at the places stated in such notice at the applicable redemption price, together with Accrued Interest to the Redemption Date of such Notes, and on and after the Redemption Date; PROVIDED that the Company shall have deposited with the Trustee on or prior to the Redemption Date funds in an amount sufficient to pay the redemption price together with Accrued Interest to the Redemption Date of such Notes. Interest on the Notes or portions thereof so called for redemption shall cease to accrue and such Notes or portions thereof shall be deemed not to be entitled to any benefit under this Indenture except to receive payment of the redemption price together with Accrued Interest to the Redemption Date of such Notes; PROVIDED, HOWEVER, that any payments due with respect to such Note prior to the Redemption Date shall be payable to the Holders of record of such Notes at the close of business on the relevant Record Date specified in the applicable Company Order. On presentation and surrender of such Notes at such a place of payment in such notice specified, such Notes or the specified portions thereof shall be paid and redeemed at the applicable Redemption Price.

(b) The Company shall not mail any notice of redemption of Notes during the continuance of any Event of Default, except that (1) where notice of redemption of any Notes has theretofore been mailed, the Company shall redeem such Notes; PROVIDED that funds have theretofore been deposited for such purpose, and (2) notices of redemption of all outstanding Notes may be given during the continuance of an Event of Default.

(c) If any Note called for redemption shall not be so paid upon surrender thereof for redemption, the principal of and any premium on such Note, shall until paid bear interest from the date fixed for redemption at the rate borne by such Note.

(d) Upon surrender of any Note redeemed in part only, the Company shall execute and register, and the Trustee shall authenticate and make available for delivery, a new Note or Notes of authorized denominations in aggregate principal amount equal to, and having the same terms and Original Issue Date or Dates as, the unredeemed portion of the Note so surrendered.

SECTION 3.04. REPAYMENT AT THE OPTION OF THE HOLDER.

(a) Unless otherwise specified in the applicable Company Order, Notes shall not be repayable prior to Stated Maturity at the option of the Holder. If so specified, a Note shall be repayable at the option of the Holder, in whole or in part, on a date or dates prior to Stated Maturity and at a price or prices specified in the applicable Company Order, plus accrued and unpaid interest to but excluding the date of repayment.

(b) In order for a Note that is repayable at the option of the Holder to be repaid prior to Stated Maturity, such Holder shall deliver or cause to be delivered to the Trustee at least 30 but not more than 45 calendar days prior to the repayment date: (i) the Note with the form entitled "Option to Elect Repayment" on the reverse of the Note duly completed, or (ii) a telegram, telex, facsimile transmission, hand delivery or letter (first class, postage prepaid) from a member of a national securities exchange or the National Association of Securities Dealers, Inc. or a commercial bank or trust company in the United States setting forth the name of the Holder of the Note, the principal amount of the Note, the principal amount of the Note to be repaid, the certificate number or a description of the tenor and terms of the Note, a statement that the option to elect repayment is being exercised thereby and a guarantee that the Note to be repaid with the form entitled "Option to Elect Repayment" on the reverse of the Note duly completed shall be received by the Trustee not later than five Business Days after the date of such telegram, telex, facsimile transmission, hand delivery or letter, if such Note and form duly completed are received by the Trustee by such fifth Business Day.

(c) Exercise of the repayment option by the Holder of a Note shall be irrevocable, except that a Holder who has tendered a Note for repayment may revoke such tender for repayment by written notice to the Trustee received prior to 5:00 P.M., New York City time, on the tenth calendar day prior to the repayment date.

(d) Unless otherwise specified in the applicable Company Order, the repayment option may be exercised by the Holder of a Note for less than the entire principal amount of the Note; PROVIDED that the principal amount of the Note remaining outstanding after such repayment is an authorized denomination. Upon such partial repayment such Note will be cancelled and a new Note or Notes for the remaining principal amount thereof shall be issued in the name of the Holder thereof.

(e) While any Note is represented by one or more Global Notes, any such option for repayment may be exercised by the applicable participant in the Depositary that has an account for

Notes with the Depositary, on behalf of the beneficial owners of the Note represented by such Global Note or Notes, by delivering a written notice substantially similar to the above-mentioned form duly completed to the Trustee at its Corporate Trust Office (or such other address of which the Company shall from time to time notify the Holders), at least 30 but not more than 60 calendar days prior to the date of repayment. Notices of election from such participants on behalf of beneficial owners of the Global Note or Notes representing such Notes to exercise their option to have such Notes repaid shall be received by the Trustee by 5:00 P.M., New York City time, on the last day for giving such notice. All notices shall be executed by a duly authorized officer of such participant (with signatures guaranteed) and shall be irrevocable. In addition, beneficial owners of the Global Note or Notes representing Notes shall effect delivery to the Depositary at the time such notices of election are given by causing the applicable participant to transfer such beneficial owner's interest in the Global Note or Notes

representing such Notes, on the Depositary's records, to the Trustee.

SECTION 3.05. EXTENSION.

(a) If a Company Order specifies an Extension Period or Periods for a Note, the Company shall have an option to extend the Stated Maturity of such Note for one or more Extension Periods specified in such Company Order, but not beyond the Final Maturity Date specified therein. The Company may exercise such option by notifying the Trustee of such exercise at least 45 but not more than 60 calendar days prior to the Pre-Exercise Stated Maturity Date of such Note, and after receipt of such notification, the Trustee shall send not later than 40 calendar days prior to such Pre-Exercise Stated Maturity Date an Extension Notice to the Holder of such Note.

(b) Upon the sending by the Trustee of an Extension Notice to the Holder of a Note, the Stated Maturity of such Note will be extended automatically, and, except as modified by the Extension Notice and, subject to Section 3.05(c) and (d), such Note will have the same terms as prior to the sending of such Extension Notice.

(c) Notwithstanding Sections 3.05(a) and (b), not later than 20 calendar days prior to the Pre-Exercise Stated Maturity Date, the Company may, at its option, revoke the interest rate, in the case of a Fixed Rate Note, or the Spread and/or Spread Multiplier, in the case of a Floating Rate Note, provided for in the Extension Notice and establish a higher interest rate, in the case of a Fixed Rate Note, or a Spread and/or Spread Multiplier resulting in a higher interest rate, in the case of a Floating Rate Note, for the Extension Period by causing the Trustee to send by

telegram, telex, facsimile transmission, hand delivery or letter (first class, postage prepaid) notice of such higher interest rate or Spread and/or Spread Multiplier resulting in a higher interest rate, as the case may be, to the Holder of such Note, and such notice will be irrevocable. All Notes with respect to which the Stated Maturity is extended will bear such higher interest rate, in the case of a Fixed Rate Note, or Spread and/or Spread Multiplier resulting in a higher interest rate, in the case of a Floating Rate Note, for the Extension Period, whether or not tendered for repayment as provided in Section 3.05(d).

(d) If the Company extends the Stated Maturity of a Note (including, if such Stated Maturity has previously been extended, the Stated Maturity as previously extended), the Holder of such Note shall have the option to elect repayment of such Note, in whole but not in part, by the Company on the Pre-Exercise Stated Maturity Date (including, if such Stated Maturity has previously been extended, the last day of the then current Extension Period), at a price equal to the principal amount thereof plus accrued and unpaid interest to but excluding such date. In order for a Note to be so repaid on the Pre-Exercise Stated Maturity Date, the Holder thereof must follow the procedures set forth in Section 3.04 for optional repayment, except that the period for delivery of such Note or notification to the Trustee will be at least 25 but not more than 35 calendar days prior to the Pre-Exercise Stated Maturity Date. A Holder who has tendered a Note for repayment following receipt of an Extension Notice may revoke such tender for repayment by written notice to the Trustee received prior to 5:00 P.M., New York City time, on the tenth calendar day prior to the Pre-Exercise Stated Maturity Date.

SECTION 3.06. RESET NOTES.

(a) If a Company Order specifies Optional Interest Reset Dates for a Note, the Company shall have an option to reset the interest rate of a Fixed Rate Note or the Spread and/or Spread Multiplier of a Floating Rate Note, subject to any formula for such resetting specified in such Company Order.

The Company may exercise such option by notifying the Trustee of such exercise at least 45 but not more than 60 calendar days prior to an Optional Interest Reset Date for such Note. If the Company so notifies the Trustee of such exercise, the Trustee shall send not later than 40 calendar days prior to such Optional Interest Reset Date, by telegram, telex, facsimile transmission, hand delivery or letter (first class, postage prepaid) to the Holder of such Note, a Reset Notice, including the date or dates on which or the period or periods during which and the price or prices at which redemption of such Note may occur during the Subsequent Interest Period commencing on such Optional Interest Reset Date.

(b) Notwithstanding Section 3.06(a), not later than 20 calendar days prior to an Optional Interest Reset Date for a Note, the Company may, at its option, revoke the interest rate, in the case of a Fixed Rate Note, or the Spread and/or Spread Multiplier, in the case of a Floating Rate Note, provided for in a Reset Notice and establish a higher interest rate, in the case of a Fixed Rate Note, or a Spread and/or Spread Multiplier resulting in a higher interest rate, in the case of a Floating Rate Note, for the Subsequent Interest Period commencing on such Optional Interest Reset Date by causing the Trustee to send by telegram, telex, facsimile transmission, hand delivery or letter (first class, postage prepaid) notice of such higher interest rate or Spread and/or Spread Multiplier resulting in a higher interest rate, as the case may be, to the Holder of such Note, and such notice will be irrevocable. All Notes with respect to which the interest rate or Spread and/or Spread Multiplier is reset on an Optional Interest Reset Date to a higher interest rate or Spread and/or Spread Multiplier resulting in a higher interest rate will bear such higher interest rate, in the case of a Fixed Rate Note, or Spread and/or Spread Multiplier resulting in a higher interest rate, in the case of a Floating Rate Note, whether or not tendered for repayment as provided in Section 3.06(c).

(c) If the Company elects prior to an Optional Interest Reset Date to reset the interest rate or the Spread and/or Spread Multiplier of a Note, the Holder of such Note shall have the option to elect repayment of such Note, in whole but not in part, by the Company on such Optional Interest Reset Date at a price equal to the principal amount thereof plus accrued and unpaid interest to but excluding such Optional Interest Reset Date. In order for a Note to be so repaid on an Optional Interest Reset Date, the Holder thereof must follow the procedures set forth in Section 3.04, except that the period for delivery of such Note or notification to the Trustee will be at least 25 but not more than 35 calendar days prior to such Optional Interest Reset Date. A Holder who has tendered a Note for repayment following receipt of a Reset Notice may revoke such tender for repayment by written notice to the Trustee received prior to 5:00 P.M., New York City time, on the tenth calendar day prior to such Optional Interest Reset Date.

ARTICLE FOUR

FIRST MORTGAGE BONDS

SECTION 4.01. ISSUANCE RESTRICTIONS. So long as any Notes are outstanding, the Company will not (a) issue additional First Mortgage Bonds except to replace any mutilated, lost, destroyed or stolen First Mortgage Bonds or to effect exchanges and transfers of First Mortgage Bonds or (b) subject to the lien of

the Bond Indenture any property which is excepted and excluded from the Bond Indenture and the lien and operation thereof by the terms of the Bond Indenture, unless (i) concurrently with the issuance of such First Mortgage Bonds or subjection of any such property to such lien, the Company issues, and the trustee under the Bond Indenture authenticates and delivers to the Trustee, a First Mortgage Bond or Bonds in an aggregate principal amount equal to the aggregate principal amount of the Notes then outstanding, and (ii) concurrently with and as a condition precedent to the issuance of any Notes thereafter, the Company issues, and the trustee under the Bond Indenture authenticates and delivers to the Trustee, a First Mortgage Bond or Bonds in an aggregate principal amount equal to the aggregate principal amount of the Notes to be issued, and in each such case such First Mortgage Bonds shall have the same Stated Maturity, bear interest at the same rates, have redemption and other terms and provisions which are the same as, the Notes then outstanding or to be issued, as the case may be.

SECTION 4.02. FIRST MORTGAGE BONDS HELD BY THE TRUSTEE. First Mortgage Bonds delivered to the Trustee pursuant to Section 4.01 shall be fully registered in the name of the Trustee, which shall hold such First Mortgage Bonds in trust for the benefit of the Holders from time to time of the Notes, to provide the security of the First Mortgage Bonds for (a) the full and prompt payment of the principal of each Note when and as the same shall become due in accordance with the terms and provisions of this Indenture, either at the Stated Maturity thereof, upon acceleration of the maturity thereof or upon call for redemption, and (b) the full and prompt payment of any premium and interest on each Note when and as the same shall become due in accordance with the terms and provisions of this Indenture.

SECTION 4.03. TRUSTEE TO EXERCISE RIGHTS OF FIRST MORTGAGE BONDHOLDER. As a holder of First Mortgage Bonds, the Trustee shall have and exercise all of the rights of a holder of First Mortgage Bonds possessed under the Bond Indenture.

SECTION 4.04. NO TRANSFER OF FIRST MORTGAGE BONDS; EXCEPTION. Except as required to effect an assignment to a successor trustee under this Indenture, the Trustee shall not sell, assign or transfer any First Mortgage Bonds held by it pursuant to this Indenture and the Company shall issue stop transfer instructions to the trustee and any transfer agents under the Bond Indenture to effect compliance with this Section 4.04.

SECTION 4.05. RELEASE OF FIRST MORTGAGE BONDS. When (a) all of the principal of and any premium and interest on all Notes shall have been paid or provision therefor duly made in accordance with this Indenture, or (b) all Notes shall have been delivered to the Trustee for cancellation by or on behalf of the Company, or (c)

no Note is any longer outstanding under this Indenture and all conditions in Article Five have been satisfied, the Trustee shall upon request of the Company, within five Business Days thereafter, deliver to the Company without charge all First Mortgage Bonds held by the Trustee under this Indenture, together with such appropriate instruments of release as may be required; the First Mortgage Bonds so acquired by the Company shall be delivered for cancellation to the trustee under the Bond Indenture.

SECTION 4.06. VOTING OF FIRST MORTGAGE BONDS.

(a) The Trustee, as a holder of First Mortgage Bonds, shall attend meetings of Bondholders under the Bond Indenture and either at such meeting, or otherwise when the consent of such Bondholders is sought without a meeting, the Trustee shall vote the outstanding principal amount of such First Mortgage Bonds, or shall consent with respect thereto, proportionally

with respect to the holders all other First Mortgage Bonds then outstanding under the Bond Indenture and eligible to vote or consent.

(b) Notwithstanding Section 4.06(a), the Trustee shall not vote any portion of the outstanding principal amount of the First Mortgage Bonds held by it hereunder in favor of, or give its consent to, any action which, in the opinion of the Trustee, would materially adversely affect the interests of the Noteholders, except with the appropriate consent of the Noteholders.

SECTION 4.07. DISCHARGE OF BOND INDENTURE. The Trustee shall surrender for cancellation to the trustee under the Bond Indenture all First Mortgage Bonds then held by the Trustee and issued under the Bond Indenture upon receipt by the Trustee of:

(a) an Officers' Certificate requesting such surrender for cancellation of such First Mortgage Bonds, and to the effect that no First Mortgage Bonds are outstanding under the Bond Indenture other than First Mortgage Bonds held by the Trustee hereunder and that promptly upon such surrender the Bond Indenture will be satisfied and discharged pursuant to the terms thereof; and

(b) an Opinion of Counsel to the effect that upon satisfaction and discharge of the Bond Indenture the property formerly subject to the lien of the Bond Indenture will be subject to no lien except Permitted Encumbrances.

ARTICLE FIVE

SATISFACTION AND DISCHARGE; UNCLAIMED MONEYS

SECTION 5.01. SATISFACTION AND DISCHARGE. This Indenture shall, upon the request of the Company set forth in an Officers' Certificate, cease to be of further effect and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when

(1) either

(A) all Notes theretofore authenticated and delivered (other than (i) Notes which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 2.07, (ii) Notes for which payment money has theretofore been deposited with or paid to the Trustee and thereafter repaid to the Company or discharged from such trust, as provided in Section 5.03) have been delivered to the Trustee for cancellation; or

(B) all such Notes not theretofore delivered to the Trustee for cancellation,

(i) have become due and payable, or

(ii) will become due and payable at their Stated Maturity within one year, or

(iii) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice by the Trustee in the name, and at the expense, of the Company,

and the Company, in the case of (i), (ii) or (iii) of this subclause (B), has irrevocably deposited or caused to be deposited with the Trustee as trust funds in trust for such purpose an amount in United States dollars, U.S. Government Obligations maturing as to principal and interest in such amounts and at such times as will ensure the availability of United States

dollars, or a combination of United States dollars and U.S. Government Obligations, sufficient to pay and discharge the entire indebtedness on such Notes for principal (and premium, if any) and interest to the date of such deposit (in the case of Notes which have become due and payable) or to the Stated Maturity or Redemption Date, as the case may be; PROVIDED, HOWEVER, in the event a petition for relief under

the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, is filed with respect to the Company within 91 days after the deposit and the Trustee is required to return the deposited money to the Company, the obligations of the Company under this Indenture with respect to such Notes shall not be deemed terminated or discharged;

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

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture with respect to such Notes have been complied with; and

(4) the Company has delivered to the Trustee an Opinion of Counsel or a ruling by the Internal Revenue Service to the effect that Holders of the Notes will not recognize income, gain or loss for federal income tax purposes as a result of such deposit and discharge.

Notwithstanding the satisfaction and discharge of this Indenture, this Indenture shall continue in effect as to (i) rights of registration of transfer and exchange of Notes, (ii) substitution of apparently mutilated, defaced, destroyed, lost or stolen Notes, (iii) rights of Noteholders to receive payments of principal thereof and any premium and interest thereon, upon the original stated due dates therefor (but not upon acceleration of maturity), (iv) the rights, obligations and immunities of the Trustee hereunder and (v) the rights of the Holders of Notes as beneficiaries hereof with respect to the property so deposited with the Trustee payable to all or any of them), and the Trustee, on demand of the Company accompanied by an Officers' Certificate and an Opinion of Counsel and at the cost and expense of the Company, shall execute proper instruments acknowledging such satisfaction of and discharging this Indenture. Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 9.07 shall survive.

SECTION 5.02. DEPOSITED MONEYS TO BE HELD IN TRUST BY TRUSTEE. Subject to Section 5.03, all moneys and U.S. Government Obligations deposited with the Trustee pursuant to Section 5.01 shall be held in trust and applied by it to the payment, either directly or through any paying agent (including the Company if acting as its own paying agent), to the Holders of the particular Notes for the payment or redemption of which such moneys and U.S. Government Obligations have been deposited with the Trustee, of all

sums due and to become due thereon for principal and premium, if any, and interest.

SECTION 5.03. RETURN OF UNCLAIMED MONEYS. Any moneys deposited with or paid to the Trustee for payment of the principal of or any premium or interest on any Notes and not applied but remaining unclaimed by the Holders

of such Notes for two years after the date upon which the principal of or any premium or interest on such Notes, as the case may be, shall have become due and payable, shall be repaid to the Company by the Trustee on written demand and all liability of the Trustee shall thereupon cease; and any Holder of any of such Notes shall thereafter look only to the Company for any payment which such Holder may be entitled to collect; PROVIDED, HOWEVER, that the Trustee before being required to make any such repayment, may at the expense of the Company cause to be mailed to such Holder notice that such money remains unclaimed and that, after a date specified therein which shall not be less than 30 days from the date of such mailing, any unclaimed balance of such money then remaining will be repaid to the Company.

SECTION 5.04. REINSTATEMENT. If the Trustee is unable to apply any money or U.S. Government Obligations in accordance with Section 5.01 by reason of any legal proceeding or any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's obligations under this Indenture with respect to the Notes to which such money or U.S. Government Obligations were to have been applied shall be revived and reinstated as though no deposit had occurred pursuant to Section 5.01 until such time as the Trustee is permitted to apply such money or U.S. Government Obligations in accordance with Section 5.01; PROVIDED, HOWEVER, that if the Company has made any payment of principal of or any premium or interest on any Notes because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Notes to receive such payment from the money or U.S. Government Obligations held by the Trustee.

ARTICLE SIX

PARTICULAR COVENANTS OF THE COMPANY

SECTION 6.01. PAYMENT OF PRINCIPAL, PREMIUM AND INTEREST. The Company covenants and agrees for the benefit of the Holders of the Notes that it will duly and punctually pay or cause to be paid the principal of and any premium and interest on each of the Notes at the places, at the respective times and in the manner provided in such Notes.

SECTION 6.02. OFFICE FOR NOTICES AND PAYMENTS, ETC. So long as any of the Notes remain outstanding, the Company will maintain in the Borough of Manhattan, The City of New York, an office or agency where the Notes may be presented for registration of transfer and for exchange as in this Indenture provided, and where, at any time when the Company is obligated to make a payment upon Notes (other than a payment as to which it is permitted to make such payment by check), the Notes may be presented for payment, and shall maintain at any such office or agency and at its principal office an office or agency where notices and demands to or upon the Company in respect of the Notes or of this Indenture may be served; PROVIDED that the Company may maintain at its principal executive offices, one or more other offices or agencies for any or all of the foregoing purposes; the Company hereby appoints the Trustee as agent of the Company for the foregoing purposes. The Company will give to the Trustee written notice of the location of each such office or agency and of any change of location thereof. In case the Company shall fail to maintain any such office or agency or shall fail to give such notice of the location or of any change in the location thereof, presentations may be made and notices and demands may be served at the Corporate Trust Office of the Trustee.

SECTION 6.03. APPOINTMENTS TO FILL VACANCIES IN TRUSTEE'S OFFICE. The Company, whenever necessary to avoid or fill a vacancy in the office of Trustee, will appoint, in the manner provided in Section 9.11, a Trustee, so that there shall at all times be a Trustee hereunder.

SECTION 6.04. ANNUAL STATEMENT AND NOTICE.

(a) The Company will deliver to the Trustee within 120 days after the end of each fiscal year of the Company, beginning with the fiscal year ending December 31, 1998, an Officers' Certificate which complies with TIA Section 314(a)(4) stating that in the course of the performance by the signers of their duties as officers of the Company they would obtain knowledge of any default by the Company in the performance of any covenant contained in this Indenture or an Event of Default stating whether they have obtained knowledge of any such default or such Event of Default, and, if so, specifying each such default or such Event of Default of which the signers have knowledge, and the nature and status thereof.

(b) The Company shall give to the Trustee written notice of the occurrence of an Event of Default within five days after the Company becomes aware of such occurrence.

SECTION 6.05. CORPORATE EXISTENCE. Subject to Article Twelve, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its

corporate existence, rights (charter and statutory) and franchises; PROVIDED HOWEVER, that the Company shall not be required to preserve any such right or franchise if the Company shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company.

SECTION 6.06. LIMITATION UPON MORTGAGES AND LIENS. The Company will not at any time directly or indirectly create or assume and will not cause or permit a Subsidiary directly or indirectly to create or assume, except in favor of the Company or a Wholly-Owned Subsidiary, any mortgage, pledge or other lien or encumbrance upon any Principal Facility or any interest it may have therein or upon any stock of any Regulated Subsidiary or any indebtedness of any Subsidiary to the Company or any other Subsidiary, whether now owned or hereafter acquired, without making effective provision (and the Company covenants that in such case it will make or cause to be made, effective provision) whereby the outstanding Notes and any other indebtedness of the Company then entitled thereto shall be secured by such mortgage, pledge, lien or encumbrance equally and ratably with any and all other obligations and indebtedness thereby secured, so long as any such other obligations and indebtedness shall be so secured; PROVIDED, HOWEVER, that the foregoing covenant shall not be applicable to the lien of the Bond Indenture or Permitted Encumbrances.

SECTION 6.07. WAIVER OF CERTAIN COVENANTS. The Company may omit in any particular instance to comply with any term, provision or condition set forth in Article Four or Section 6.06 (and if so specified, any other covenant not set forth herein and specified pursuant to Section 2.05 to be applicable to any Notes, except as otherwise provided pursuant to Section 2.05), if before the time for such compliance the Holders of at least a majority in aggregate principal amount of the Notes then outstanding shall either waive such compliance in such instance or generally waive compliance with such term, provision or condition, but no waiver shall extend to or affect such term, provision or condition except to the extent expressly so 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.

ARTICLE SEVEN

NOTEHOLDER LISTS AND REPORTS BY THE COMPANY AND THE TRUSTEE

SECTION 7.01. NOTEHOLDER LISTS. The Company will, so long as any Notes are outstanding under this Indenture, furnish or cause to be furnished to the Trustee within 15 days prior to each

Interest Payment Date on Notes then outstanding, and at such other times as the Trustee may request in writing, the information required by TIA Section 312(a), which the Trustee shall preserve as required by TIA Section 312(a). The Trustee shall also comply with TIA Section 312(b), but the Trustee, the Company and each Person acting on behalf of the Trustee or the Company shall have the protection of TIA Section 312(c).

SECTION 7.02. SECURITIES AND EXCHANGE COMMISSION REPORTS. The Company shall (a) file with the Trustee, within 15 days after the Company is required to file the same with the Securities and Exchange Commission, copies of the reports, information and documents (or portions thereof) required to be so filed pursuant to TIA Section 314(a), and (b) comply with the other provisions of TIA Section 314(a).

SECTION 7.03. REPORTS BY THE TRUSTEE. The Trustee shall (a) transmit within 60 days after May 15 in each year, beginning with the year 1999, to the Noteholders specified in TIA Section 3.13(c) and to the Securities and Exchange Commission, a brief report dated as of such May 15 and complying with the requirements of TIA Section 313(a), but no report shall be required if no event described in TIA Section 313(a) shall have occurred within the previous twelve months ending on such date. The Trustee shall also comply with the other provisions of TIA Section 313(b)(2).

ARTICLE EIGHT

REMEDIES OF THE TRUSTEE AND NOTEHOLDERS ON EVENT OF DEFAULT

SECTION 8.01. EVENTS OF DEFAULT. "Event of Default" wherever used herein with respect to any Notes means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law, pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(1) default in the payment of any interest upon any Note when it becomes due and payable, and continuance of such default for a period of 30 days; or

(2) default in the payment of the principal of (and premium, if any, on) any Note at its Maturity; or

(3) default in the performance or breach of any covenant or warranty of the Company in this Indenture (other than a covenant or warranty a default in whose performance or whose

breach is elsewhere in this Section 8.01 specifically dealt with), and continuance of such default or breach for a period of 60 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 25% in aggregate principal amount of the Notes then outstanding, 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; or

(4) default (i) in the payment of any principal of or interest on any Indebtedness of the Company or any Subsidiary of the Company (other than Notes), aggregating more than $10,000,000 in principal amount, when due after giving effect to any applicable grace period or (ii) in the performance of any other term or provision of any Indebtedness of the Company or any Subsidiary of the Company (other than Notes) in excess of $10,000,000 principal amount that results in such Indebtedness becoming or being declared due and payable prior to the date on which it would otherwise become due and payable, and such acceleration shall not have been rescinded or annulled, or such Indebtedness shall not have been discharged, within a period of 15 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 25% in aggregate principal amount of the Notes then outstanding, a written notice specifying such default or defaults and stating that such notice is a "Notice of Default" hereunder; or

(5) the entry against the Company or any Subsidiary of the Company of one or more judgments, decrees or orders by a court having jurisdiction in the premises from which no appeal may be or is taken for the payment of money, either individually or in the aggregate, in excess of $10,000,000, and the continuance of such judgment, decree or order unsatisfied and in effect for any period of 45 consecutive days after the amount thereof is due without a stay of execution and 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 25% in aggregate principal amount of the Notes then outstanding, a written notice specifying such entry and continuance of such judgment, decree or order and stating that such notice is a "Notice of Default" hereunder; or

(6) the entry of a decree or order for relief in respect of the Company by a court having jurisdiction in the premises in an involuntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal

or state bankruptcy, insolvency or other similar law, or a decree or order adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under any applicable federal or state law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the Company or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days; or

(7) the commencement by the Company of a voluntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, or the consent by it to the entry of an order for relief in an involuntary case under any such law or to the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other 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 its creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Company in furtherance of any such action; or

(8) any other Event of Default provided with respect to the particular Note specified in the applicable Company Order.

SECTION 8.02. ACCELERATION OF MATURITY; RESCISSION AND ANNULMENT. If an

Event of Default with respect to the Notes then outstanding occurs and is continuing, then in every such case the Trustee or the Holders of not less than 25% in aggregate principal amount of the Notes then outstanding may declare the principal amount of all the Notes to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), and upon any such declaration such principal amount shall become immediately due and payable. Upon payment of such amount in United States dollars, all obligations of the Company in respect of the payment of principal of the Notes shall terminate.

At the time after such a declaration of acceleration with respect to the Notes has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of a majority in aggregate principal amount of the Notes then outstanding, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if

(1) the Company has paid or deposited with the Trustee a sum in United States dollars sufficient to pay

(A) all overdue installments of interest on all Notes,

(B) the principal of (and premium, if any, on) any Notes which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in such Notes,

(C) to the extent that payment of such interest is lawful, interest upon overdue installments of interest on each Note at the rate borne by such Note, and

(D) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel;

and

(2) All Events of Default with respect to the Notes, other than the nonpayment of the principal of Notes which has become due solely by such declaration of acceleration, have been cured or waived as provided in Section 8.11.

No such rescission and waiver shall affect any subsequent default or impair any right consequent thereon.

SECTION 8.03. COLLECTION AND SUITS FOR ENFORCEMENT BY TRUSTEE. The Company covenants that if

(1) default is made in the payment of any installment of interest on any Note when such interest becomes due and payable and such default continues for a period of 30 days, or

(2) default is made in the payment of principal of (or premium, if any, on) any Notes as and when the name shall have become due and payable,

the Company shall, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Notes, the amount then due and payable on such Notes for principal (and premium, if any) and interest, if any, and, to the extent that payment of such interest shall be legally enforceable, interest upon the overdue principal (and premium, if any) and upon overdue installments of interest at the rate borne by the Notes; and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of

collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If the Company fails to pay such amount 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, and may prosecute such proceeding to judgment or final decree, and may enforce the same against the Company or any other obligor under such Notes, 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 Notes wherever situated.

If an Event of Default with respect to any Notes occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of the Notes 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 8.04. TRUSTEE MAY FILE PROOFS OF CLAIM. In the case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceedings, or any voluntary or involuntary case under the federal bankruptcy laws, as now or hereafter constituted, relative to the Company or any other obligor upon the Notes or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of such Notes shall then be due and payable as therein expressed or by declaration of acceleration 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,

(i) to file and prove a claim for the whole amount of principal (or, if any Notes are Original Issue Discount Securities, the Amortized Face Amount thereof or such other portion of the principal amount as may be due and payable with respect to such Original Issue Discount Notes pursuant to a declaration in accordance with Section 8.02) (and premium, if any) and interest owning and unpaid in respect of the Notes and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Holders of such Notes allowed in such judicial proceeding, and

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

and any receiver, assignee, trustee, custodian, liquidator, sequestrator (or other similar official) in any such proceeding is hereby authorized by each such 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 such Holders, to pay to the Trustee and amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 9.06.

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 Notes 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 8.05. TRUSTEE MAY ENFORCE CLAIMS WITHOUT POSSESSION OF NOTES. All rights of action and claims under this Indenture or the Notes may be prosecuted and enforced by the Trustee without the possession of any of such Notes 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 compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Notes in respect of which such judgment has been recovered.

SECTION 8.06. APPLICATION OF MONEYS COLLECTED BY TRUSTEE. Any moneys collected by the Trustee with respect to any of the Notes shall be applied in the order following, at the date or dates fixed by the Trustee for the distribution of such moneys, upon presentation of the several Notes, and stamping thereon the payment, if only partially paid, and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due to the Trustee pursuant to Section 9.07;

SECOND: In case the principal of the Notes then outstanding in respect of which such moneys have been collected shall not have become due and be unpaid, to the payment of interest on the Notes, in the order of the maturity of the installments of such interest, with interest (to the extent allowed by law and to the extent

that such interest has been collected by the Trustee) upon the overdue installments of interest at the rate borne by the Notes, such payments to be made ratably to the persons entitled thereto;

THIRD: In case the principal of the Notes then outstanding in respect of which such moneys have been collected shall have become due, by declaration or otherwise, to the payment of the whole amount then owing and unpaid upon the Notes for principal and any premium and interest thereon, with interest on the overdue principal and any premium and (to the extent allowed by law and to the extent that such interest has been collected by the Trustee) upon overdue installments of interest at the rate borne by the Notes; and in case such moneys shall be insufficient to pay in full the whole amount so due and unpaid upon the Notes, then to the payment of such principal and any premium and interest without preference or priority of principal and any premium over interest, or of interest over principal and any premium or of any installment of interest over any other installment of interest, or of any Note over any other Note, ratably to the aggregate of such principal and any premium and accrued and unpaid interest; and

FOURTH: To the payment of the remainder, if any, to the Company, its successors or assigns, or to whomsoever may lawfully be entitled to the same, or as a court of competent jurisdiction may determine.

SECTION 8.07. PROCEEDINGS BY NOTEHOLDERS.

(a) No Holder of any Note shall have any right by virtue of or by availing of any provision of this Indenture to institute any suit, action or proceeding in equity or at law upon or under or with respect to this

Indenture or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless such Holder previously shall have given to the Trustee written notice of default with respect to such Note and of the continuance thereof, as hereinabove provided, and unless also the Holders of not less than a majority in aggregate principal amount of the Notes then outstanding shall have made written request upon the Trustee to institute such action, suit or proceeding in its own name as Trustee hereunder and shall have offered to the Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee for 60 days after its receipt of such notice, request and offer of indemnity, shall have neglected or refused to institute any such action, suit or proceeding, it being understood and intended, and being expressly covenanted by the taker and the Holder of every

Note with every other taker and Holder and the Trustee that no one or more Holders of Notes 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 Holder of Notes, or to obtain or seek to obtain priority over or preference to any other such Holder, or to enforce any right under this Indenture, except in the manner herein provided and for the equal, ratable and common benefit of all Holders of Notes.

(b) Notwithstanding any other provision in this Indenture, however, the rights of any Holder of any Note to receive payment of the principal of and any premium and interest on such Note, on or after the respective due dates expressed in such Note (or, in the case of redemption, on the Redemption Date), or to institute suit for the enforcement of any such payment on or after such respective dates shall not be impaired or affected without the consent of such Holder.

SECTION 8.08. PROCEEDINGS BY TRUSTEE. In case of an Event of Default hereunder the Trustee may in its discretion proceed to protect and enforce the rights vested in it by this Indenture by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any of such rights, either by suit in equity or by action at law or by proceeding in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Indenture or in aid of the exercise of any power granted in this Indenture, or to enforce any other legal or equitable right vested in the Trustee by this Indenture or by law.

SECTION 8.09. REMEDIES CUMULATIVE AND CONTINUING. All powers and remedies given by this Article Eight to the Trustee or to the Noteholders shall, to the extent permitted by law, be deemed cumulative and not exclusive of any powers and remedies hereof or of any other powers and remedies available to the Trustee or the Holders of the Notes, by judicial proceedings or otherwise, to enforce the performance or observance of the covenants and agreements contained in this Indenture, and no delay or omission of the Trustee or of any Holder of any of the Notes in exercising any right or power accruing upon any default occurring and continuing as aforesaid shall impair any such right or power, or shall be construed to be a waiver of any such default or an acquiescence therein; and, subject to Section 8.07, every power and remedy given by this Article Eight or by law to the Trustee or to the Noteholders may be exercised from time to time, and as often as shall be deemed expedient, by the Trustee or by the Noteholders.

SECTION 8.10. RESTORATION OF RIGHTS AND REMEDIES. If the Trustee or any Noteholder has instituted any proceeding to enforce any right or remedy under this Indenture and such

proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Noteholder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Noteholders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Company, the Trustee and the Noteholders shall continue as though no such proceeding had been instituted.

SECTION 8.11. DIRECTION OF PROCEEDINGS AND WAIVER OF DEFAULTS BY MAJORITY NOTEHOLDERS. The Holders of a majority in aggregate principal amount of the Notes then outstanding 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; PROVIDED, HOWEVER, that (subject to Section 9.01) the Trustee shall have the right to decline to follow any such direction if the Trustee being advised by counsel determines that the action or proceeding so directed may not lawfully be taken or if the Trustee in good faith by its board of directors or trustees, executive committee, or a trust committee of directors or trustees or responsible officers shall determine that the action or proceeding so directed would involve the Trustee in personal liability or would be unduly prejudicial to the rights of Noteholders not joining in such directions. Prior to any declaration accelerating the Maturity of the Notes, the Holders of a majority in aggregate principal amount of the Notes then outstanding may on behalf of all of the Holders of all of the Notes waive any past default or Event of Default hereunder and its consequences, except a default (i) in the payment of principal of or any premium or interest on any Note or (ii) in respect of a covenant or provision hereof which pursuant to Section 13.02 cannot be modified or amended without the consent of the Holder of each Note then outstanding that would be affected thereby. Upon any such waiver, such default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, for every purpose of the Indenture and the Notes, but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

SECTION 8.12. NOTICE OF DEFAULT. The Trustee shall, within 90 days after the occurrence of a default with respect to the Notes, give to all Holders of the Notes specified in TIA Section 3.13(c), in the manner provided in Section 15.10, notice of such default, unless such default shall have been cured before the giving of such notice, the term "default" for the purpose of this Section 8.12 being hereby defined to be any event which is or after notice or lapse of time or both would become an Event of Default; PROVIDED that, except in the case of default in the payment of the principal of or any premium or interest on any of the Notes, the Trustee shall be protected in withholding such notice if and so

long as its board of directors or trustees, executive committee, or a trust committee of directors or trustees or responsible officers in good faith determines that the withholding of such notice is in the interests of the Holders of the Notes. The Trustee shall not be charged with knowledge of any Event of Default unless a responsible officer of the Trustee assigned to the corporate trust division of the Trustee shall have actual knowledge of such Event of Default.

SECTION 8.13. UNDERTAKING TO PAY COSTS. All parties to this Indenture agree, and each Holder of any Note by 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 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 this Section 8.13 shall not apply to any suit instituted by the Trustee, or to any suit instituted by any Noteholder, or group of Noteholders, holding in the aggregate more than 10% in principal amount of the Notes then outstanding, or to any suit instituted by any Noteholder for the enforcement of the payment of the principal of or any premium or interest on any Note on or after the due date expressed in such Note.

ARTICLE NINE

CONCERNING THE TRUSTEE

SECTION 9.01. CERTAIN DUTIES AND RESPONSIBILITIES.

(a) Except during the continuance of an Event of Default,

(1) the Trustee undertakes to perform 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

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision 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 has occurred and is continuing, the Trustee shall exercise 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 wilful misconduct, except that

(1) this Subsection shall not be construed to limit the effect of Subsection (a) of this Section 9.01.

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

(3) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority in principal amount of the Notes at the time outstanding, determined as provided in Section 10.04, 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 Notes; and

(4) 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 9.01.

SECTION 9.02. NOTICE OF DEFAULTS. Within 90 days after the occurrence of any default hereunder the Trustee shall transmit by mail to all Holders as their names and addresses appear in the Note register, notice of such default hereunder known to the Trustee, unless such default shall have been cured or waived;

PROVIDED, HOWEVER, that, except in the case of a default in the payment of the principal of (or premium, if any) or interest on any Note or in the payment of any sinking fund installment with respect to any Notes, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors or Responsible Officers of the Trustee in good faith determine that the withholding of such notice is in the interest of the Holders of such Notes; and PROVIDED, FURTHER, that in the case of any default of the character specified in Section 8.01(3), no such notice to Holders shall be given until at least 30 days after occurrence thereof. For the purpose of this Section 9.02, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default.

SECTION 9.03. CERTAIN RIGHTS OF TRUSTEE. Subject to the provisions of Section 9.01:

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

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by an Officers' Certificate 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 be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' 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 of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and

liabilities which might be incurred by it in compliance with such request or direction;

(f) prior to the occurrence of an Event of Default and after the curing or waiving of all such Events of Default which may have occurred, 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, approval or other paper or document, or the books and records of the Company, unless requested in writing to do so by the Holders of a majority in aggregate principal amount of the Notes then outstanding; PROVIDED, HOWEVER, that if the payment within a reasonable time to the Trustee of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is not, in the opinion of the Trustee, reasonably assured to the Trustee by the security afforded to it by the terms of this Indenture, the Trustee may require reasonable indemnity against such costs, expenses or liabilities as a condition to so proceeding; the reasonable expense of every such investigation shall be paid by the Company or, if paid by the Trustee, shall be repaid by the Company upon demand; and

(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.

SECTION 9.04. NOT RESPONSIBLE FOR RECITALS OR ISSUANCE OF NOTES. The recitals contained herein and in the Notes, except the Trustee's certificates of authentication, shall be taken as the statements of the Company, and the Trustee or any Authenticating Agent assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Notes. Neither the Trustee nor any Authenticating Agent shall be accountable for the use or application by the Company of Notes or the proceeds thereof.

SECTION 9.05. MAY HOLD NOTES. The Trustee, any Authenticating Agent, any Paying Agent, any Note registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Notes and, subject to Sections 9.08 and 9.13, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Authenticating Agent, Paying Agent, Note registrar or such other agent.

SECTION 9.06. 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 any money received by it hereunder except as otherwise agreed with the Company.

SECTION 9.07. COMPENSATION AND REIMBURSEMENT. The Company agrees:

(1) to pay to the Trustee such compensation that the Company and Trustee shall from time to time agree in writing 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);

(2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense,

disbursement or advance as may be attributable to its negligence or bad faith; and

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

The provisions of this Section 9.07 shall survive this Indenture.

SECTION 9.08. DISQUALIFICATION; CONFLICTING INTERESTS.

(a) If the Trustee has or shall acquire any conflicting interest, as defined in this Section 9.08, with respect to the Notes, it shall, within 90 days after ascertaining that it has such conflicting interest, either eliminate such conflicting interest or resign in the manner and with the effect hereinafter specified in this Article Nine.

(b) In the event that the Trustee shall fail to comply with the provisions of Subsection (a) of this Section 9.08, the Trustee shall, within 10 days after the expiration of such 90-day period, transmit by mail to all Holders as their names and addresses appear in the Note registrar, notice of such failure.

(c) For the purposes of this Section 9.08, the Trustee shall be deemed to have a conflicting interest with respect to the Notes if

(1) the Trustee is trustee under another indenture under which any securities, or certificates of interest or participation in any other securities, of the Company are outstanding, unless such other indenture is a collateral trust indenture under which the only collateral consists of Notes, PROVIDED that there shall be excluded from the operation of this paragraph this Indenture with respect to any other indenture or indenture under which securities, or certificates of interest or participation in other securities, of the Company are outstanding, if

(i) this Indenture and such other indenture or indentures are wholly unsecured and such other indenture or indentures are hereafter qualified under the TIA, unless the Securities and Exchange Commission shall have found and declared by order pursuant to Section 305(b) or Section 307(c) of the TIA that differences exist between the provisions of this Indenture and the provisions of such other indenture or indentures which are so likely to involve a material conflict of interest as to make it necessary in the public interest or for the protection of investors to disqualify the Trustee from acting as such under this Indenture with respect to such other indenture or indentures, or

(ii) the Company shall have sustained the burden of proving, on application to the Securities and Exchange Commission and after opportunity for hearing thereon, that trusteeship under this Indenture with respect to such other indenture or indentures is not so likely to involve a material conflict of interest as to make it necessary in the public interest or for the protection of investors to disqualify the Trustee from acting as such under this Indenture with respect to such other indenture or indentures;

(2) the Trustee or any of its directors or executive officers is an obligor upon the Notes or an underwriter for the Company;

(3) the Trustee directly or indirectly controls or is directly or

indirectly controlled by or is under direct or indirect common control with the Company or an underwriter for the Company;

(4) the Trustee or any of its directors or executive officers is a director, officer, partner, employee, appointee or representative of the Company, or of an underwriter (other than the Trustee itself) for the Company who is currently engaged in the business of underwriting, except that (i) one individual may be a director or an executive officer, or both, of the Trustee and a director or an executive officer, or both, of the Company but may not be at the same time an executive officer of both the Trustee and the Company; (ii) if and so long as the number of directors of the Trustee in office is more than nine, one additional individual may be a director or an executive officer, or both, of the Trustee and a director of the Company; and (iii) the Trustee may be designated by the Company or by any underwriter for the Company to act in the capacity of transfer agent, registrar, custodian, paying agent, fiscal agent, escrow agent or depositary, or in any other similar capacity, or, subject to the provisions of paragraph (1) of this Subsection, to act as trustee, whether under an indenture or otherwise;

(5) 10% or more of the voting securities of the Trustee is beneficially owned either by the Company or by any director, partner or executive officer thereof, or 20% or more of such voting securities is beneficially owned, collectively, by any two or more of such persons; or 10% or more of the voting securities of the Trustee is beneficially owned either by an underwriter for the Company or by any director, partner or executive officer thereof, or is beneficially owned, collectively, by any two or more such persons;

(6) the Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default (as hereinafter in this Subsection defined), (i) 5% or more of the voting securities, or 10% or more of any other class of security, of the Company not including the Notes and securities issued under any other indenture under which the Trustee is also trustee, or (ii) 10% or more of any class of security of an underwriter for the Company;

(7) the Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default (as hereinafter in this Subsection defined), 5% or more of the voting securities of any person who, to the knowledge of the Trustee, owns 10% or more of the voting securities of, or controls directly or indirectly or is under direct or indirect common control with, the Company;

(8) the Trustee is the beneficial owner of, or holds as collateral security for an obligation which is in default (as hereinafter in this Subsection defined), 10% or more of any

class of security of any person who, to the knowledge of the Trustee, owns 50% or more of the voting securities of the Company; or

(9) the Trustee owns, on May 15 in any calendar year, in the capacity of executor, administrator, testamentary or inter vivos trustee, guardian, committee or conservator, or in any other similar capacity, an aggregate of 25% or more of the voting securities, or of any class of security, of any person, the beneficial ownership of a specified percentage of which would have constituted a conflicting interest under paragraph (6), (7) or (8) of this Subsection. As to any such securities of which the Trustee acquired

ownership through becoming executor, administrator or testamentary trustee of an estate which included them, the provisions of the preceding sentence shall not apply, for a period of two years from the date of such acquisition, to the extent that such securities included in such estate do not exceed 25% of such voting securities or 25% of any such class of security. Promptly after May 15 in each calendar year, the Trustee shall make a check of its holdings of such securities in any of the above-mentioned capacities as of such May 15. If the Company fails to make payment in full of the principal of (or premium, if any) or interest on any of the Notes when and as the same becomes due and payable, and such failure continues for 30 days thereafter, the Trustee shall make a prompt check of its holdings of such securities in any of the above-mentioned capacities as of the date of the expiration of such 30-day period, and after such date, notwithstanding the foregoing provisions of this paragraph, all such securities so held by the Trustee, with sole or joint control over such securities vested in it, shall, but only so long as such failure shall continue, be considered as though beneficially owned by the Trustee for the purposes of paragraphs (6), (7) and (8) of this Subsection.

The specification of percentages in paragraphs (5) to (9), inclusive, of this Subsection shall not be construed as indicating that the ownership of such percentages of the securities of a person is or is not necessary or sufficient to constitute direct or indirect control for the purposes of paragraph (3) or (7) of this Subsection.

For the purposes of paragraphs (6), (7), (8) and (9) of this Subsection only, (i) the terms "security" and "securities" shall include only such securities as are generally known as corporate securities, but shall not include any note or other evidence of indebtedness issued to evidence an obligation to repay moneys lent to a person by one or more banks, trust companies or banking firms, or any certificate of interest or participation in

any such note or evidence of indebtedness; (ii) an obligation shall be deemed to be "in default" when a default in payment of principal shall have continued for 30 days or more and shall not have been cured; and (iii) the Trustee shall not be deemed to be the owner or holder of (A) any security which it holds as collateral security, as trustee or otherwise, for an obligation which is not in default as defined in clause (ii) above, or (B) any security which it holds as collateral security under this Indenture, irrespective of any default hereunder, or (C) any security which it holds as agent for collection, or as custodian, escrow agent or depositary, or in any similar representative capacity.

(d) For the purposes of this Section 9.08:

(1) The term "underwriter", when used with reference to the Company, means every person who, within three years prior to the time as of which the determination is made, has purchased from the Company with a view to, or has offered or sold for the Company in connection with, the distribution of any security of the Company outstanding at such time, or has participated or has had a direct or indirect participation in any such undertaking, or has participated or has had a participation in the direct or indirect underwriting of any such undertaking, but such term shall not include a person whose interest was limited to a commission from an underwriter or dealer not in excess of the usual and customary distributors' or sellers' commission.

(2) The term "director" means any director of a corporation or any individual performing similar functions with respect to any organization, whether incorporated or unincorporated.

(3) The term "person" means an individual, a corporation, a partnership, an association, a joint-stock company, a trust, an unincorporated organization or a government or political subdivision

thereof. As used in this paragraph, the term "trust" shall include only a trust where the interest or interests of the beneficiary or beneficiaries are evidenced by a security.

(4) The term "voting security" means any security presently entitling the owner or holder thereof to vote in the direction or management of the affairs of a person, or any security issued under or pursuant to any trust, agreement or arrangement whereby a trustee or trustees or agent or agents for the owner or holder of such security are presently entitled to vote in the direction or management of the affairs of a person.

(5) The term "Company" means any obligor upon the Notes.

(6) The term "executive officer" means the president, every vice president, every trust officer, the cashier, the secretary and the treasurer of a corporation, and any individual customarily performing similar functions with respect to any organization whether incorporated or unincorporated, but shall not include the chairman of the board of directors.

(e) The percentages of voting securities and other securities specified in this Section 9.08 shall be calculated in accordance with the following provisions:

(1) A specified percentage of the voting securities of the Trustee, the Company or any other person referred to in this Section 9.08 (each of whom is referred to as a "person" in this paragraph) means such amount of the outstanding voting securities of such person as entitles the holder or holders thereof to cast such specified percentage of the aggregate votes which the holders of all the outstanding voting securities of such person are entitled to cast in the direction or management of the affairs of such person.

(2) A specified percentage of a class of securities of a person means such percentage of the aggregate amount of securities of the class outstanding.

(3) The term "amount", when used in regard to securities, means the principal amount if relating to evidences of indebtedness, the number of shares if relating to capital shares and the number of units if relating to any other kind of security.

(4) The term "outstanding" means issued and not held by or for the account of the issuer. The following securities shall not be deemed outstanding within the meaning of this definition:

(i) securities of an issuer held in a sinking fund relating to securities of the issuer of the same class;

(ii) securities of an issuer held in a sinking fund relating to another class of securities of the issuer, if the obligation evidenced by such other class of securities is not in default as to principal or interest or otherwise;

(iii) securities pledged by the issuer thereof as security for an obligation of the issuer not in default as to principal or interest or otherwise; and

(iv) securities held in escrow if placed in escrow by the issuer

thereof;

PROVIDED, HOWEVER, that any voting securities of an issuer shall be deemed outstanding if any person other than the issuer is entitled to exercise the voting rights thereof.

(5) A security shall be deemed to be of the same class as another security if both securities confer upon the holder or holders thereof substantially the same rights and privileges; PROVIDED, HOWEVER, that, in the case of secured evidences of indebtedness, all of which are issued under a single indenture, differences in the interest rates or maturity dates of various series thereof shall not be deemed sufficient to constitute such series different classes and PROVIDED, FURTHER, that, in the case of unsecured evidences of indebtedness, differences in the interest rates or maturity dates thereof shall not be deemed sufficient to constitute them securities of different classes, whether or not they are issued under a single indenture.

SECTION 9.09. CORPORATE TRUSTEE REQUIRED; ELIGIBILITY. There shall at all times be a Trustee hereunder which shall be a corporation organized and doing business under the laws of the United States of America, any State thereof or the District of Columbia, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least $50,000,000 subject to supervision or examination by Federal or State authority and having its Corporate Trust Office in Columbus, Ohio or New York, New York, to the extent there is such an institution eligible and willing to serve. If such corporation 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 9.09, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 9.09, it shall resign immediately in the manner and with the effect hereinafter specified in this Article Nine.

SECTION 9.10. 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 Nine

shall become effective until the acceptance of appointment by the successor Trustee in accordance with the applicable requirements of Section 9.11.

(b) The Trustee may resign at any time by giving written notice thereof to the Company. If the instrument of acceptance by a successor Trustee required by Section 9.11 shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) The Trustee may be removed at any time by the Holders of a majority in aggregate principal amount of the Notes then outstanding, delivered to the Trustee and to the Company.

(d) If at any time:

(1) the Trustee shall fail to comply with Section 9.08(a) after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Note for at least six months, or

(2) the Trustee shall cease to be eligible under Section 9.09 and shall fail to resign after written request therefor by the Company or by

any such Holder, or

(3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (i) the Company by a Board Resolution may remove the Trustee, or (ii) subject to Section 8.13, any Holder who has been a bona fide Holder of a Note for at least six months may, on behalf of such Holder and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee 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, the Company, by a Board Resolution, shall promptly appoint a successor Trustee or Trustees and shall comply with the applicable requirements of Section 9.11. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee shall be appointed by the Holders of a majority in aggregate principal amount of the Notes then outstanding 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 9.11, become the successor Trustee and supersede the successor Trustee appointed by the Company. If no successor Trustee shall have been so appointed by the Company or the Holders and accepted appointment in the manner required by Section 9.11, any Holder who has been a bona fide Holder of a Note for at least six months may, on behalf of such Holder and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) The Company shall give notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee by mailing written notice of such event by first-class mail, postage prepaid, to all Holders as their names and addresses appear in the Note register. Each notice shall include the name of the successor Trustee and the address of its Corporate Trust Office.

SECTION 9.11. ACCEPTANCE OF APPOINTMENT BY SUCCESSOR.

(a) Every successor Trustee shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on the request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of the compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, 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) Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts referred to in paragraph (a) of this Section 9.11.

(c) No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible

under this Article Nine.

SECTION 9.12. 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 Notes 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 Notes so authenticated with the same effect as if such successor Trustee had itself authenticated such Notes.

SECTION 9.13. PREFERENTIAL COLLECTION OF CLAIMS AGAINST COMPANY.

(a) Subject to Subsection (b) of this Section 9.13, if the Trustee shall be or shall become a creditor, directly or indirectly, secured or unsecured, of the Company within four months prior to a default, as defined in Subsection (c) of this Section 9.13, or subsequent to such a default, then, unless and until such default shall be cured, the Trustee shall set apart and hold in a special account for the benefit of the Trustee individually, the Holders of the Notes and the holders of other indenture securities, as defined in Subsection (c) of this Section 9.13:

(1) an amount equal to any and all reductions in the amount due and owing upon any claim as such creditor in respect of principal or interest, effected after the beginning of such four months' period and valid as against the Company and its other creditors, except any such reduction resulting from the receipt or disposition of any property described in paragraph (2) of this Subsection, or from the exercise of any right of set-off which the Trustee could have exercised if a petition in bankruptcy had been filed by or against the Company upon the date of such default; and

(2) all property received by the Trustee in respect of any claims as such creditor, either as security therefor, or in satisfaction or composition thereof, or otherwise, after the beginning of such four months' period, or an amount equal to the proceeds of any such property, if disposed of, subject, however, to the rights, if any, of the Company and its other creditors in such property or such proceeds.

Nothing herein contained, however, shall affect the right of the Trustee:

(A) to retain for its own account (i) payments made on account of any such claim by any Person (other than the Company) who is liable thereon, and (ii) the proceeds of the bona fide sale of any such claim by the Trustee to a third Person, and (iii) distributions made in cash, securities or other property in respect of claims filed against the Company in bankruptcy or receivership or in proceedings for reorganization pursuant to the Federal Bankruptcy Act or applicable State law;

(B) to realize, for its own account, upon any property held by it as

security for any such claim, if such property was so held prior to the beginning of such four months' period;

(C) to realize, for its own account, but only to the extent of the claim hereinafter mentioned, upon any property held by it as security for any such claim, if such claim was created after the beginning of such four months' period and such property was received as security therefor simultaneously with the creation thereof, and if the Trustee shall sustain the burden of proving that at the time such property was so received the Trustee had no reasonable cause to believe that a default, as defined in Subsection (c) of this Section 9.13, would occur within four months; or

(D) to receive payment on any claim referred to in paragraph (B) or (C), against the release of any property held as security for such claim as provided in paragraph (B) or (C), as the case may be, to the extent of the fair value of such property.

For the purposes of paragraphs (B), (C) and (D), property substituted after the beginning of such four months' period for property held as security at the time of such substitution shall, to the extent of the fair value of the property released, have the same status as the property released, and, to the extent that any claim referred to in any of such paragraphs is created in renewal of or in substitution for or for the purpose of repaying or refunding any pre-existing claim of the Trustee as such creditor, such claim shall have the same status as such pre-existing claim.

If the Trustee shall be required to account, the funds and property held in such special account and the proceeds thereof shall be apportioned among the Trustee, the Holders and the holders of other indenture securities in such manner that the Trustee, the Holders and the holders of other indenture securities realize, as a result of payments from such special account and payments of dividends on claims filed against the Company in bankruptcy or receivership or in proceedings for reorganization pursuant to the

Federal Bankruptcy Act or applicable State law, the same percentage of their respective claims, figured before crediting to the claim of the Trustee anything on account of the receipt by it from the Company of the funds and property in such special account and before crediting to the respective claims of the Trustee and the Holders and the holders of other indenture securities dividends on claims filed against the Company in bankruptcy or receivership or in proceedings for reorganization pursuant to the Federal Bankruptcy Act or applicable State law, but after crediting thereon receipts on account of the indebtedness represented by their respective claims from all sources other than from such dividends and from the funds and property so held in such special account. As used in this paragraph, with respect to any claim, the term "dividends" shall include any distribution with respect to such claim, in bankruptcy or receivership or proceedings for reorganization pursuant to the Federal Bankruptcy Act or applicable State law, whether such distribution is made in cash, securities or other property, but shall not include any such distribution with respect to the secured portion, if any, of such claim. The court in which such bankruptcy, receivership or proceedings for reorganization is pending shall have jurisdiction (i) to apportion among the Trustee, the Holders and the holders of other indenture securities, in accordance with the provisions of this paragraph, the funds and property held in such special account and proceeds thereof, or (ii) in lieu of such apportionment, in whole or in part, to give to the provisions of this paragraph due consideration in determining the fairness of the distributions to be made to the Trustee and the Holders and the holders of other indenture securities with respect to their respective claims, in which event it shall not be necessary to liquidate or to appraise the value of any securities or other property held in such special account or as security for any such claim, or to make a specific allocation of such distributions as between the

secured and unsecured portions of such claims, or otherwise to apply the provisions of this paragraph as a mathematical formula.

Any Trustee which has resigned or been removed after the beginning of such four months' period shall be subject to the provisions of this Subsection as though such resignation or removal had not occurred. If any Trustee has resigned or been removed prior to the beginning of such four months' period, it shall be subject to the provisions of this Subsection if and only if the following conditions exist:

(i) the receipt of property or reduction of claim, which would have given rise to the obligation to account, if such Trustee had continued as Trustee, occurred after the beginning of such four months' period; and

(ii) such receipt of property or reduction of claim occurred within four months after such resignation or removal.

(b) There shall be excluded from the operation of Subsection (a) of this Section 9.13 a creditor relationship arising from:

(1) the ownership or acquisition of securities issued under any indenture, or any security or securities having a maturity of one year or more at the time of acquisition by the Trustee;

(2) advances authorized by a receivership or bankruptcy court of competent jurisdiction or by this Indenture, for the purposes of preserving any property which shall at any time be subject to the lien of this Indenture or of discharging tax liens or other prior liens or encumbrances thereon, if notice of such advances and of the circumstances surrounding the making thereof is given to the Holders at the time and in the manner provided in this Indenture;

(3) disbursements made in the ordinary course of business in the capacity of trustee under an indenture, transfer agent, registrar, custodian, paying agent, fiscal agent or depositary, or other similar capacity;

(4) an indebtedness created as a result of services rendered or premises rented; or an indebtedness created as a result of goods or securities sold in a cash transaction, as defined in Subsection (c) of this Section 9.13;

(5) the ownership of stock or of other securities of a corporation organized under the provisions of Section 25(a) of the Federal Reserve Act, as amended, which is directly or indirectly a creditor of the Company; and

(6) the acquisition, ownership, acceptance or negotiation of any drafts, bills of exchange, acceptances or obligations which fall within the classification of self-liquidating paper, as defined in Subsection (c) of this Section 9.13.

(c) For the purposes of this Section 9.13 only:

(1) the term "default" means any failure to make payment in full of the principal of or interest on any of the Notes or upon the other indenture securities when and as such principal or interest becomes due and payable;

(2) the term "other indenture securities" means securities upon which

the Company is an obligor outstanding under any other indenture (i) under which the Trustee is also trustee, (ii) which contains provisions substantially similar to the provisions of this Section 9.13, and (iii) under which a default exists at the time of the apportionment of the funds and property held in such special account;

(3) 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;

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

(5) the term "Company" means any obligor upon the Notes; and

(6) the term "Federal Bankruptcy Act" means the Bankruptcy Act or Title 11 of the United States Code.

SECTION 9.14. APPOINTMENT OF AUTHENTICATING AGENT. At any time when any of the Notes remain outstanding the Trustee may appoint an Authenticating Agent or Agents with respect to the Notes which shall be authorized to act on behalf of the Trustee to authenticate Notes issued upon exchange, registration of transfer or partial redemption thereof or pursuant to Section 2.06, and Notes 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 Notes 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 of America, any State thereof or the District of Columbia, authorized under such laws to act as Authenticating Agent, having a combined capital and surplus of not less than $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 9.14, 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 9.14, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section 9.14.

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 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 9.14, 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 9.14, the Trustee may appoint a successor Authenticating Agent which shall be acceptable to the Company and shall mail written notice of such appointment by first-class mail, postage prepaid, to all Holders as their names and addresses appear in the Note register. 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 9.14.

The Trustee agrees to pay to each Authenticating Agent from time to time reasonable compensation for its services under this Section 9.14, and the Trustee shall be entitled to be

reimbursed for such payments, subject to the provisions of Section 9.07.

If an appointment is made pursuant to this Section 9.07, the Notes may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternate certificate of authentication in the following form:

Trustee's Certificate of Authentication

This is one of the Notes referred to in the within-mentioned Indenture.

BANK ONE, N.A., as Trustee

By_____
As Authenticating Agent

By_____
Authorized Officer

ARTICLE TEN

CONCERNING THE NOTEHOLDERS

SECTION 10.01. ACTION BY NOTEHOLDERS. (a) Whenever in this Indenture it is provided that the Holders of a specified percentage in aggregate principal amount of the Notes may take any action (the making of any demand or request, or the giving of any notice, consents or waivers in lieu of a Noteholders' meeting or the taking of any other action), the fact that at the time of taking any such action the Holders of such specified percentage have joined therein may be evidenced (a) by any instrument or any number of instruments of similar tenor executed by such Noteholders in person or by agent

or proxy appointed in writing, or (b) by the record of such Noteholders voting in favor thereof at any meeting of Noteholders duly called and held in accordance with Article Eleven, or (c) by a combination of such instrument or instruments and any such record of such a meeting of Noteholders.

(b) Whenever in this Indenture it is provided that the Holders of a specified percentage in aggregate principal amount of the Notes may take any action, any party designated in writing by the Depositary, or by any party so designated by the Depositary, as the owner of a beneficial interest of a specified principal amount

of any Global Note held by such Depositary shall be deemed to be a Holder of Notes in such principal amount for such purpose.

SECTION 10.02. PROOF OF EXECUTION BY NOTEHOLDERS.

(a) Subject to Sections 9.01 and 11.05, proof of the execution of any instruments by a Noteholder or the agent or proxy for such Noteholder shall be sufficient if made in accordance with such reasonable rules and regulations as may be prescribed by the Trustee or in such manner as shall be satisfactory to the Trustee. The ownership of Notes shall be proved by the Note register of the Company or by a certificate of the Note registrar.

(b) The record of any Noteholders' meeting shall be proven in the manner provided for in Section 11.06.

SECTION 10.03. WHO DEEMED ABSOLUTE OWNERS. Subject to Sections 2.04(f) and 10.01, the Company, the Trustee, any Authenticating Agent and Note registrar may deem the person in whose name any Note shall be registered upon the Note register of the Company to be, and may treat such person as, the absolute owner of such Note (whether or not such Note shall be overdue) for the purpose of receiving payment of or on account of the principal of and any premium and interest on such Note, and for all other purposes; and neither the Company nor the Trustee nor any Authenticating Agent nor any Note registrar shall be affected by any notice to the contrary. All such payments shall be valid and effectual to satisfy and discharge the liability upon any such Note to the extent of the sum or sums so paid.

SECTION 10.04. COMPANY-OWNED NOTES DISREGARDED. In determining whether the Holders of the requisite aggregate principal amount of Notes then outstanding have concurred in any direction, consent or waiver under this Indenture, Notes which are owned by the Company or any other obligor on the Notes or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company or any other obligor on the Notes shall be disregarded and deemed not to be outstanding for the purpose of any such determination; PROVIDED that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, consent or waiver only Notes which the Trustee knows are so owned shall be so disregarded. Notes so owned which have been pledged in good faith may be regarded as outstanding for the purposes of this Section 10.04 if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Notes and that the pledgee is not a person directly or indirectly controlling or controlled by or under direct or indirect common control with the Company or any such

other obligor. In the case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

SECTION 10.05. REVOCATION OF CONSENTS; FUTURE HOLDERS BOUND. At any time prior to the taking of any action by the holders of the percentage in aggregate principal amount of the Notes specified in this Indenture in connection with such action, any Holder of a Note, which is shown by the evidence to be included in the Notes the Holders of which have consented to such action may, by filing written notice with the Trustee at the Corporate Trust Office of the Trustee and upon proof of ownership as provided in Section 10.02(a), revoke such action so far as it concerns such Note. Except as aforesaid any such action taken by the Holder of any Note shall be conclusive and binding upon such Holder and upon all future Holders and owners of such Note and of any Notes issued in exchange or substitution therefor, irrespective of whether or not any notation thereof is made upon such Note or such other Notes.

SECTION 10.06. RECORD DATE FOR NOTEHOLDER ACTS. If the Company shall solicit from the Noteholders any request, demand, authorization, direction, notice, consent, waiver or other act, the Company may, at its option, by Board Resolution, fix in advance a record date in compliance with TIA Section 3.16(c) for the determination of Noteholders entitled to give such request, demand, authorization, direction, notice, consent, waiver or other act, but the Company shall have no obligation to do so. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other act may be given before or after the record date, but only the Noteholders of record at the close of business on the record date shall be deemed to be Noteholders for the purpose of determining whether Holders of the requisite aggregate principal amount of Notes then outstanding have authorized or agreed or consented to such request, demand, authorization, direction, notice, consent, waiver or other act, and for that purpose the outstanding Notes shall be computed as of the record date; PROVIDED, HOWEVER, that no such authorization, agreement or consent by the Noteholders on the record date shall be deemed effective unless it shall become effective pursuant to this Indenture not later than six months after the record date.

ARTICLE ELEVEN

NOTEHOLDERS' MEETING

SECTION 11.01. PURPOSES OF MEETINGS. A meeting of Noteholders may be called at any time and from time to time pursuant to this Article Eleven for any of the following purposes:

(a) to give any notice to the Company or to the Trustee, or to give any directions to the Trustee, or to consent to the waiving of any default hereunder and its consequences, or to take any other action authorized to be taken by Noteholders pursuant to Article Eight;

(b) to remove the Trustee and nominate a successor Trustee pursuant to Article Nine;

(c) to consent to the execution of an indenture or indentures supplemental hereto pursuant to Section 13.02; or

(d) to take any other action authorized to be taken by or on behalf of the Holders of any specified aggregate principal amount of the Notes, as the case may be, under any other provision of this Indenture or under applicable law.

SECTION 11.02. CALL OF MEETINGS BY TRUSTEE. The Trustee may at any time call a meeting of Holders of Notes to take any action specified in Section 11.01, to be held at such time and at such place as the Trustee shall determine. Notice of every such meeting of Noteholders, setting forth the time

and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given to Holders of the Notes that may be affected by the action proposed to be taken at such meeting in the manner provided in Section 15.10. Such notice shall be given not less than 20 nor more than 90 days prior to the date fixed for such meeting.

SECTION 11.03. CALL OF MEETINGS BY COMPANY OR NOTEHOLDERS. In case at any time the Company, pursuant to a Board Resolution, or the Holders of at least 10% in aggregate principal amount of the Notes then outstanding, shall have requested the Trustee to call a meeting of Noteholders, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have mailed the notice of such meeting within 20 days after receipt of such request, then the Company or such Noteholders may determine the time and the place for such meeting and may call such meeting to take any action authorized in Section 11.01, by giving notice thereof as provided in Section 11.02.

SECTION 11.04. QUALIFICATIONS FOR VOTING. To be entitled to vote at any meetings of Noteholders a Person shall (a) be a Holder of one or more Notes affected by the action proposed to be taken or (b) be a Person appointed by an instrument in writing as proxy by a Holder of one or more such Notes. The only Persons who shall be entitled to be present or to speak at any

meeting of Noteholders shall be the Persons entitled to vote at such meeting and their counsel and any representatives of the Trustee and its counsel and any representatives of the Company and its counsel.

SECTION 11.05. REGULATIONS.

(a) Notwithstanding any other provisions of this Indenture, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Noteholders, in regard to proof of the holding of Notes 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 think fit.

(b) The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by the Noteholders as provided in Section 11.03, in which case the Company or Noteholders 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 the Holders of a majority in aggregate principal amount of the Notes present in person or by proxy at the meeting.

(c) Subject to Section 10.04, at any meeting each Noteholder or proxy shall be entitled to one vote for each $1,000 principal amount of Notes held or represented by such Noteholder; PROVIDED, HOWEVER, that no vote shall be cast or counted at any meeting in respect of any Note challenged as not outstanding and ruled by the chairman of the meeting to be not outstanding. The chairman of the meeting shall have no right to vote other than by virtue of Notes held by such chairman or instruments in writing as aforesaid duly designating such chairman as the person to vote on behalf of other Noteholders. At any meeting of Noteholders duly called pursuant to Section 11.02 or 11.03, the presence of persons holding or representing Notes in an aggregate principal amount sufficient to take action on any business for the transaction for which such meeting was called shall constitute a quorum. Any meeting of Noteholders duly called pursuant to Section 11.02 or 11.03 may be adjourned from time to time by the Holders of a majority in aggregate principal amount of the Notes present in person or by proxy at the meeting, whether or not constituting a quorum, and the meeting may be held as so adjourned without further notice.

SECTION 11.06. VOTING. The vote upon any resolution submitted to any meeting of Noteholders shall be by written ballots on which shall be subscribed the signatures of the Holders of Notes

or of their representatives by proxy and the principal amount of Notes 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 in duplicate of all votes cast at the meeting. A record in duplicate of the proceedings of each meeting of Noteholders shall be prepared by the secretary of the meeting and there shall be attached to said record the original reports of the inspectors of votes on any vote 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 said notice was given as provided in Section 11.02. The record shall show the principal amount of the Notes voting in favor of or against any resolution. The record shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting and one of the duplicates shall be delivered to the Company and the other to the Trustee to be preserved by the Trustee. Any record so signed and verified shall be conclusive evidence of the matters therein stated.

SECTION 11.07. RIGHT OF TRUSTEE OR NOTEHOLDERS NOT DELAYED. Nothing in this Article Eleven contained shall be deemed or construed to authorize or permit, by reason of any call of a meeting of Noteholders or any rights expressly or impliedly conferred hereunder to make such call, any hindrance or delay in the exercise of any right or rights conferred upon or reserved to the Trustee or to the Holders of Notes under any of the provisions of this Indenture or of the Notes.

ARTICLE TWELVE

CONSOLIDATION, MERGER, CONVEYANCE, TRANSFER OR LEASE

SECTION 12.01. COMPANY MAY CONSOLIDATE, ETC., ONLY ON CERTAIN TERMS. The Company shall not consolidate with or merge into any other corporation or convey, transfer or lease its properties and assets substantially as an entirety to any Person unless:

(1) the corporation formed by such consolidation or into which the Company is merged (the "successor corporation") or the Person which acquires by conveyance or transfer, or which leases, the properties and assets of the Company substantially as an entirety shall be a corporation organized and existing under the laws of the United States of America or any State or the District of Columbia, and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the

Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of (and premium, if any) and interest on all Notes and the performance of every covenant of this Indenture on the part of the Company to be performed or observed;

(2) immediately after giving effect to such consolidation, merger, conveyance, transfer or lease, no Event of Default, and no event which, after notice or lapse of time, or both, would become an

Event of Default, shall have occurred and be continuing;

(3) if, as a result of such consolidation, merger, conveyance, transfer or lease, properties or assets of the Company would become subject to a mortgage, pledge, lien, security interest or other encumbrance which would not otherwise be permitted by this Indenture without making effective provision whereby the Notes then outstanding and any other indebtedness of the Company then entitled thereto will be equally and ratably secured with any and all indebtedness and obligations secured thereby, the Company or the successor corporation or Person, as the case may be, will take such action as will be necessary effectively to secure all Notes equally and ratably with (or prior to) all indebtedness secured thereby; and

(4) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that such consolidation, merger, conveyance, transfer or lease and such supplemental indenture comply with this Article Twelve and that all conditions precedent herein provided for relating to such consolidation, merger, conveyance or transfer have been complied with.

SECTION 12.02. SUCCESSOR CORPORATION SUBSTITUTED. Upon any consolidation or merger, or any conveyance, transfer or lease as an entirety in accordance with Section 12.01, the successor corporation formed by such consolidation or into which the Company is merged or to which such conveyance, transfer or lease is made 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 successor corporation had been named as the Company herein; PROVIDED, HOWEVER, that no such conveyance or transfer shall have the effect of releasing the Person named as the "Company" in the first paragraph of this Indenture or any successor corporation which shall theretofore have become such in the manner prescribed in this Article Twelve from its liability as obligor and maker on any of the Notes.

ARTICLE THIRTEEN

SUPPLEMENTAL INDENTURES

SECTION 13.01. SUPPLEMENTAL INDENTURES WITHOUT CONSENT OF NOTEHOLDERS.

(a) The Company, when authorized by Board Resolution, and the Trustee may at any time and from time to time enter into an indenture or indentures supplemental hereto for one or more of the following purposes:

(1) to make such provision in regard to matters or questions arising under this Indenture as may be necessary or desirable and not inconsistent with this Indenture or for the purpose of supplying any omission, curing any ambiguity, or curing, correcting or supplementing any defective or inconsistent provision; PROVIDED that such provision shall not adversely affect the interests of Holders of outstanding Notes created prior to the execution of such supplemental indenture in any material respect;

(2) to change or eliminate any of the provisions of this Indenture; PROVIDED that any such change or elimination shall become effective only when there is no Note outstanding created prior to the execution of such supplemental indenture which is entitled to the benefit of such provision;

(3) to secure the Notes;

(4) to establish the form of Notes as permitted by Section 2.01 or to establish or reflect any terms of any Note determined pursuant to Section

2.05;

(5) to evidence the succession of another corporation to the Company, and the assumption by any such successor of the covenants of the Company herein and in the Notes;

(6) to grant to or confer upon the Trustee for the benefit of the Holders any additional rights, remedies, powers or authority;

(7) to permit the Trustee to comply with any duties imposed upon it by law;

(8) to specify further the duties and responsibilities of, and to define further the relationships among, the Trustee, any Authenticating Agent and any paying agent;

(9) to add to the covenants of the Company for the benefit of the Holders of all or any Notes (and if such covenants are to be for the benefit of less than all Notes, stating that such covenants are expressly being included solely for the benefit of such Notes) or to surrender a right or power conferred on the Company herein; and

(10) to add any additional Events of Default (and if such Events of Default are to be applicable to less than all Notes, stating that such Events of Default are expressly being included for the benefit of such Notes).

(b) The Trustee is hereby authorized to join with the Company in the execution of any such supplemental indenture, to make any further appropriate agreements and stipulations which may be therein contained and to accept the conveyance, transfer and assignment of any property thereunder, but the Trustee shall not be obligated to enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

(c) Any supplemental indenture authorized by this Section 13.01 may be executed by the Company and the Trustee without the consent of the Holders of any of the Notes then outstanding, notwithstanding any of the provisions of Section 13.02.

SECTION 13.02. SUPPLEMENTAL INDENTURES WITH CONSENT OF NOTEHOLDERS.

(a) With the consent (evidenced as provided in Section 10.01) of the Holders of not less than a majority in aggregate principal amount of the Notes then outstanding that would be affected by the particular supplemental indenture, the Company, when authorized by Board Resolution, and the Trustee may from time to time and at any time 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 or of any supplemental indenture or of modifying in any manner the rights of the Noteholders; PROVIDED, HOWEVER, that no such supplemental indenture shall:

(1) change the Stated Maturity of any Note; or reduce the rate of interest on any Note; or change the method of calculating interest, or any term used in the calculation of interest, or the period for which interest is payable, on any Floating Rate Note; or reduce the principal amount of any Note or any premium thereon; reduce the amount of the principal of an Original Issue Discount Note that would be due and payable upon a

declaration of acceleration of the Maturity thereof, or adversely affect the right of repayment or renewal, if any, at the option of the Holder; or change the coin or currency in which the principal of any Note or any premium or interest thereon is payable; or change the date on which any Note may be redeemed; or adversely affect the rights of any Noteholder to institute suit for the enforcement of any payment of principal of or any premium or interest on any Note; in each case without the consent of the Holder of each Note then outstanding that would be affected thereby (for purposes of this Section 13.02 (a)(1) only, the term "Note" shall include Notes for which an offer to purchase has been accepted by the Company); or

(2) reduce the aforesaid percentage of Notes, the Holders of which are required to consent to any such supplemental indenture, or the percentage in aggregate principal amount of the Notes then outstanding the consent of the Holders of which is required for any waiver of certain past defaults or Events of Default hereunder or the consequences thereof, in each case without the consent of the Holders of all of the Notes then outstanding.

(b) Upon the request of the Company, accompanied by a copy of the Board Resolution authorizing the execution of any such supplemental indenture, and upon the filing with the Trustee of evidence of the consent of Noteholders as aforesaid, the Trustee shall join with the Company in the execution of such supplemental indenture unless such supplemental indenture affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such supplemental indenture.

(c) It shall not be necessary for the consent of the Holders of Notes under this Section 13.02 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

(d) Promptly after the execution by the Company and the Trustee of any supplemental indenture pursuant to this Section 13.02, the Company shall give notice in the manner provided in Section 15.10, setting forth in general terms the substance of such supplemental indenture, to all Noteholders. Any failure of the Company to give such notice, or any defect therein shall not, however, in any way impair or affect the validity of any such supplemental indenture.

SECTION 13.03. COMPLIANCE WITH TRUST INDENTURE ACT; EFFECT OF SUPPLEMENTAL INDENTURES. Any supplemental indenture executed pursuant to this Article Thirteen shall comply with the TIA. Upon the execution of any supplemental indenture pursuant to this Article Thirteen, this Indenture shall be and be deemed to be modified and amended in accordance therewith and the respective rights, limitations of rights, obligations, duties and immunities under this Indenture of the Trustee, the Company and the Noteholders shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

SECTION 13.04. NOTATION ON NOTES. Notes authenticated and delivered after the execution of any supplemental indenture pursuant to this Article Thirteen may bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company or the Trustee shall so determine, new Notes so modified as to conform in the opinion of the Trustee and the Board of Directors to any modification of this Indenture contained in any such supplemental indenture may be prepared and executed by the

Company, authenticated by the Trustee and delivered in exchange for the Notes then outstanding.

SECTION 13.05. EVIDENCE OF COMPLIANCE OF SUPPLEMENTAL INDENTURE TO BE FURNISHED TRUSTEE. The Trustee, subject to Section 9.01, may receive an Officers' Certificate and an Opinion of Counsel as conclusive evidence that any supplemental indenture executed pursuant hereto complies with the requirements of this Article Thirteen.

ARTICLE FOURTEEN

IMMUNITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS AND DIRECTORS

SECTION 14.01. INDENTURE AND NOTES SOLELY CORPORATE OBLIGATIONS. No recourse for the payment of the principal of or any premium or interest on any Note, or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company, contained in this Indenture or in any supplemental indenture, or in any Note, or because of the creation of any indebtedness represented thereby, shall be had against any incorporator, stockholder, officer or director, as such, past, present or future, of the Company or any successor corporation, either directly or through the Company or any successor corporation, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or

penalty or otherwise; it being expressly understood that all such liability is hereby expressly waived and released as a condition of, and as a consideration for, the execution of this Indenture and the issue of the Notes.

ARTICLE FIFTEEN

MISCELLANEOUS PROVISIONS

SECTION 15.01. PROVISIONS BINDING ON COMPANY'S SUCCESSORS. All the covenants, stipulations, promises and agreements made by the Company in this Indenture shall bind its successors and assigns whether so expressed or not.

SECTION 15.02. OFFICIAL ACTS BY SUCCESSOR CORPORATION. Any act or proceeding by any provision of this Indenture authorized or required to be done or performed by any board, committee or officer of the Company shall and may be done and performed with like force and effect by the like board, committee or officer of any corporation that shall at the time be the lawful successor of the Company.

SECTION 15.03. ADDRESSES FOR NOTICES, ETC. Any notice or demand which by any provision of this Indenture is required or permitted to be given or served by the Trustee or by the Noteholders on the Company may be given or served by being deposited postage prepaid in a post office letter box addressed (until another address is filed by the Company with the Trustee) to Madison Gas and Electric Company, 133 South Blair Street, Madison, Wisconsin 53701, to the attention of the Corporate Secretary. Any notice, direction, request or demand by any Noteholder to or upon the Trustee shall be deemed to have been sufficiently given or made, for all purposes, if given or made in writing at the Corporate Trust Office of the Trustee.

SECTION 15.04. GOVERNING LAW. This Indenture and each Note shall be deemed to be a contract made under the laws of the State of New York, and for all purposes shall be construed in accordance with the laws of said State.

SECTION 15.05. EVIDENCE OF COMPLIANCE WITH CONDITIONS PRECEDENT.

(a) Upon any application or demand by the Company to the Trustee to take any action under this Indenture, the Company shall furnish to the Trustee an Officers' 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 have been complied with.

(b) Each certificate or opinion provided for in this Indenture and delivered to the Trustee with respect to compliance with a condition or covenant provided for in this Indenture shall include (1) a statement that each Person making such certificate or opinion has read such covenant or condition and the definitions relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinion contained in such certificate or opinion are based; (3) a statement that, in the opinion of each such Person, such Person has made such examination or investigation as is necessary to enable such Person to express an informed opinion as to whether or not such covenant or condition has been complied with; and (4) a statement as to whether or not, in the opinion of each such Person, such condition or covenant has been complied with.

(c) 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.

(d) Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which such certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such person knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

(e) Any certificate, statement or opinion of any officer of the Company, or of counsel, may be based, insofar as it relates to accounting matters, upon a certificate or opinion of or representations by an accountant or firm of accountants, unless such officer or counsel, as the case may be, knows that the certificate or opinion or representations with respect to the accounting matters upon which the certificate, statement or opinion of such

officer or counsel may be based as aforesaid are erroneous, or in the exercise of reasonable care should know that the same are erroneous. Any certificate or

opinion of any firm of independent public accountants filed with the Trustee shall contain a statement that such firm is independent.

(f) 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.

SECTION 15.06. BUSINESS DAYS. Unless otherwise provided herein, in any case where the date of Maturity of the principal of or any premium or interest on any Note or the Redemption Date of any Note is not a Business Day, then payment of such principal or any premium or interest need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of Maturity or the Redemption Date, and, in the case of payment, no interest shall accrue for the period from and after such date.

SECTION 15.07. TRUST INDENTURE ACT TO CONTROL. If and to the extent that any provision of this Indenture limits, qualifies or conflicts with another provision included in this Indenture which is required to be included in this Indenture by any of Sections 310 to 317, inclusive, of the TIA, such required provision shall control.

SECTION 15.08. TABLE OF CONTENTS, HEADINGS, ETC. The table of contents and the titles and headings of the articles and sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part hereof, and shall in no way modify or restrict any of the terms or provisions hereof.

SECTION 15.09. EXECUTION IN COUNTERPARTS. This Indenture may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same instrument.

SECTION 15.10. MANNER OF MAILING NOTICE TO NOTEHOLDERS. Any notice or demand which by any provision of this Indenture is required or permitted to be given or served by the Trustee or the Company to or on the Holders of Notes, as the case may be, shall be given or served by first-class mail, postage prepaid, addressed to the Holders of such Notes at their last addresses as the same appear on the Note register referred to in Section 2.06, and any such notice shall be deemed to be given or served by being deposited in a post office letter box in the form and manner provided in this Section 15.10.

IN WITNESS WHEREOF, Madison Gas and Electric Company has caused this Indenture to be signed and acknowledged by its Chairman, President and Chief Executive Officer and its Senior Vice President - Administration and Corporate Secretary, and Bank One, N.A. has caused this Indenture to be signed and acknowledged by one of its authorized signatories and its corporate seal to be affixed hereunto, and the same to be attested by one of its _____, as of the day and year first written above.

MADISON GAS AND ELECTRIC COMPANY

By

David C. Mebane
Chairman, President and
Chief Executive Officer

By

Gary J. Wolter
Senior Vice President - Administration and
Corporate Secretary

BANK ONE, N.A., as Trustee

[Seal] By

Name:
Title:

Attest:

Name:
Title:

STATE OF WISCONSIN)
) ss:
COUNTY OF DANE)

I, _____, a Notary Public in and for said County and State aforesaid, do hereby certify that _____ of Madison Gas and Electric Company, a Wisconsin corporation, and _____ of said corporation, who are personally known to me to be the same persons whose names are subscribed to the foregoing instrument and who are both personally known to me to be _____ and Secretary of said corporation, respectively, appeared before me this day in person and severally acknowledged that they this day signed and delivered the said instrument as their free and voluntary act as such _____ and Secretary, respectively, of said corporation and as the free and voluntary act of said corporation, for the uses and purposes therein set forth, and that the said instrument was signed and delivered on behalf of said corporation by authority of its Board of Directors, and acknowledged said instrument to be the free and voluntary act of said corporation.

GIVEN under my hand and notarial seal this _____ day of _____, 1998.

Notary Public

My commission expires:

STATE OF _____)
) ss:
COUNTY OF _____)

I, _____, a Notary Public in and for said County and State aforesaid, do hereby certify that _____ of Bank One, N.A., a national banking association organized and existing under the laws of the United States of America, and _____ of said corporation, who are personally known to me to be the same persons whose names are subscribed to the foregoing instrument and who are both personally known to me to be an _____ and _____ of said corporation, appeared before me this day in person and severally acknowledged that they this day signed, sealed and delivered the said instrument as their free and voluntary act as such an _____ and _____, respectively, of said corporation, and as the free and voluntary act of said corporation, for the uses and purposes therein set forth, and that the seal affixed to said instrument is the corporate seal of said corporation and that the said instrument was signed, sealed and delivered on behalf of said corporation by authority of its By-laws, and acknowledged said instrument to be the free and voluntary act of said corporation.

GIVEN under my hand and notarial seal this _____ day of _____, 1998.

Notary Public

My commission expires:

EXHIBIT A
Global Fixed Rate Note

REGISTERED REGISTERED

NO.

MADISON GAS AND ELECTRIC COMPANY
Fixed Rate
Medium-Term Note

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Company or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co., or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

The following summary of terms is subject to the provisions set forth below:

<TABLE>
<CAPTION>

<S>	<C>	<C>	<C>	<C>	<C>
CUSIP:			EXTENSION PERIOD:		
ORIGINAL ISSUE DATE(S):			NUMBER OF EXTENSION PERIODS:		
PRINCIPAL AMOUNT:			FINAL MATURITY DATE:		
MATURITY DATE:			OPTIONAL INTEREST RESET:	/ / Yes	/ / No
INTEREST RATE:			OPTIONAL INTEREST RESET DATES:		
INTEREST PAYMENT DATES:					
RECORD DATES:			ORIGINAL ISSUE DISCOUNT NOTE:	/ / Yes	/ / No
OPTIONAL REDEMPTION:	/ / Yes	/ / No	ISSUE PRICE (percentage of principal):		
INITIAL REDEMPTION DATE:			YIELD TO MATURITY:		
AMORTIZING NOTE:	/ / Yes	/ / No	RENEWABLE AT OPTION OF HOLDER:	/ / Yes	/ / No
OPTION TO ELECT REPAYMENT:	/ / Yes	/ / No	ANNEX ATTACHED (and incorporated by reference herein):	/ / Yes	/ / No
OPTIONAL EXTENSION OF ORIGINAL MATURITY DATE:	/ / Yes	/ / No			

</TABLE>

Madison Gas and Electric Company, a Wisconsin corporation (herein called the "Company", which term includes any successor Person under the Indenture referred to on the reverse hereof), for value received, hereby promises to pay to

or registered assigns the principal sum specified above, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts, on the Maturity date specified above and to pay interest thereon, in such coin or currency, from and including the Original Issue Date (or if this Global Note has two or more Original Issue Dates, interest shall, beginning on each such Original Issue Date, begin to accrue for that part of the principal amount to which such

Original Issue Date is applicable) specified above, or from and including the most recent Interest Payment Date specified above to which interest has been paid or duly provided for, as the case may be. Interest shall be paid in arrears semiannually on each Interest Payment Date in each year commencing on (a) the first such Interest Payment Date next succeeding the earliest Original Issue Date or Dates, or (b) if such Original Issue Date is after a Record Date and prior to the first Interest Payment Date, on the second Interest Payment Date, at the per annum Interest Rate set forth above until Maturity and the principal hereof is paid or made available for payment. The interest so payable and punctually paid or duly provided for on any Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Note is registered at the close of business on the Record Date specified above next preceding such Interest Payment Date; PROVIDED, HOWEVER, that if an Original Issue Date falls between a Record Date and the next Interest Payment Date, the first payment of interest with respect to such Original Issue Date will be paid on the second Interest Payment Date subsequent to such Original Issue Date to the Person in whose name this Note is registered at the close of business on the Record Date for such second Interest Payment Date; and PROVIDED, FURTHER, that interest payable on the Maturity date or, if applicable, upon redemption, shall be payable to the Person to whom principal shall be payable. Except as otherwise provided in the Indenture, any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Record Date and shall be paid to the Person in whose name this Note is registered at the close of business on a Record Date for the payment of such defaulted interest to be fixed by the Company, notice whereof shall be given to Noteholders not less than fifteen days prior to such Record Date. Payment of the principal of and any premium and interest on this Note shall be made on or before 10:30 A.M., New York City time or such other time as shall be agreed upon between the Trustee and the Depositary, of the day on which such payment is due, by wire transfer into the account specified by the Depositary; PROVIDED, HOWEVER, that as a condition

to the payment at the Maturity date of any part of the principal and any applicable premium of this Global Note, the Depositary shall surrender, or cause to be surrendered, this Global Note to the Trustee. The Company will pay any administrative costs imposed by banks in connection with making payments by wire transfer, but not any tax, assessment or governmental charge imposed on the Holder of this Note.

Under certain circumstances, this Global Note is exchangeable in whole or from time to time in part for a definitive individual Note or Notes, with the same Original Issue Date or Dates, Maturity date, Interest Rate and redemption and other provisions as provided herein or in the Indenture.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS GLOBAL NOTE SET FORTH IN FULL ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH IN FULL AT THIS PLACE.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof, directly or through an Authenticating Agent, by manual signature of an authorized signatory, this Note 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.

Dated:

MADISON GAS AND ELECTRIC COMPANY

By

President

TRUSTEE'S CERTIFICATE
OF AUTHENTICATION

By

This is one of the Notes referred to in the within-mentioned Indenture.

Secretary

BANK ONE, N.A., as Trustee

By

Authorized Signatory

MADISON GAS AND ELECTRIC COMPANY
MEDIUM-TERM NOTE

This Global Note is one of, and a global security which represents Notes which are part of, the duly authorized Notes of the Company (herein called the "Notes"), issued and to be issued under an Indenture dated as of _____, 1998 (herein called the "Indenture") between the Company and Bank One, N.A., as 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 statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Noteholders, and of the terms upon which the Notes are, and are to be, authenticated and delivered.

Each Note shall be dated the date of its authentication by the Trustee. Each Note shall also bear an Original Issue Date or Dates which with respect to this Global Note (or any portion thereof) shall mean the date or dates of the original issue of the Notes represented hereby as specified on the face hereof, and such Original Issue Date or Dates shall remain the same for all Notes subsequently issued upon transfer, exchange or substitution of such original Note (or such subsequently issued Notes) regardless of their dates of authentication. The Notes may bear different dates, mature at different times, bear interest at different rates, be subject to different redemption provisions, if any, and may otherwise vary, all as provided in the Indenture.

Interest on this Note will be payable on the Interest Payment Date or Interest Payment Dates as specified on the face hereof and, in either case, at Maturity. Unless otherwise specified on the face hereof, payments on this Note with respect to any particular Interest Payment Date or the Maturity date will include interest accrued from and including the applicable Original Issue Date, or from and including the most recent Interest Payment Date to which interest has been paid or duly provided for, to but excluding the particular Interest Payment Date or the Maturity date. Interest on this Note will be computed and paid on the basis of a 360-day year of twelve 30-day months.

Unless otherwise specified on the face hereof, if this Note is an Amortizing Note, payments with respect to this Note will be applied first to interest due and payable hereon and then to the reduction of the unpaid principal amount hereof. If this Note is an Amortizing Note, a table setting forth the schedule of dates and amounts of payments of principal of and interest on this Note or the formula for the amortization of principal and/or interest is set forth in an annex attached to this Note.

All percentages resulting from any calculation with respect to this

Note will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with five one-millionths of a percentage point rounded upward) and all dollar amounts used in or resulting from any such calculation with respect to this Note will be rounded to the nearest cent (with one-half cent being rounded upward).

"Business Day" means, unless otherwise specified on the face hereof, any Monday, Tuesday, Wednesday, Thursday or Friday that in The City of New York is not a day on which banking institutions are authorized or obligated by law, regulation or executive order to close. If an Interest Payment Date or Maturity for this Note falls on a day that is not a Business Day, payment of principal, premium, if any, and interest to be made on such day with respect to this Note will be made on the next day that is a Business Day with the same force and effect as if made on the due date, and no additional interest will be payable on the date of payment for the period from and after the due date as a result of such delayed payment.

This Note will be redeemable at the option of the Company prior to its Stated Maturity only if an Initial Redemption Date is specified on the face hereof. If so specified, this Note will be subject to redemption at the option of the Company on any date on and after such Initial Redemption Date in whole or from time to time in part in increments of $1,000 or integral multiples thereof, at the redemption prices specified in an annex attached to this Note, plus accrued and unpaid interest to but excluding the date of redemption, but payments due with respect to this Note prior to the date of redemption will be payable to the Holder of this Note of record at the close of business on the relevant Record Date specified on the face hereof, all as provided in the Indenture. The Company may exercise such option by causing the Trustee to mail a notice of such redemption, at least 30 but not more than 60 calendar days prior to the date of redemption, in accordance with the provisions of the Indenture. In the event of redemption of this Note in part only, this Note will be cancelled and a new Note or Notes representing the unredeemed portion hereof will be issued in the name of the Holder hereof. This Note is not subject to a sinking fund unless otherwise specified in an annex attached hereto.

If so specified on the face of this Note, (i) this Note shall be subject to repayment, in whole or in part, prior to Stated Maturity at the option of the Holder on a certain date or dates and at a certain price or prices, plus accrued and unpaid interest to but excluding the date of payment; (ii) the Stated Maturity of this Note may be extended at the option of the Company for one or more

Extension Periods of from one to five years, as specified on the face hereof, up to but not beyond the Final Maturity Date specified on the face hereof; (iii) the interest rate specified on the face hereof may be reset by the Company in accordance with a formula or otherwise on the Optional Interest Reset Date or Dates specified on the face hereof; and/or (iv) this Note shall be renewable at the option of the Holder, in each case in accordance with the provisions of the Indenture applicable thereto and/or as specified in an annex attached to this Note.

Notwithstanding anything herein to the contrary, if this Note is an Original Issue Discount Note as specified on the face hereof, the amount payable in the event the principal amount hereof is declared to be due and payable immediately by reason of an Event of Default or in the event of redemption or repayment hereof prior to the Stated Maturity hereof, in lieu of the principal amount due at the Stated Maturity hereof, shall be the Amortized Face Amount of this Note as of the date of declaration, redemption or repayment, as the case may be. The "Amortized Face Amount" of this Note shall be the amount equal to the principal amount of this Note multiplied by the Issue Price specified on the face hereof plus (b) the portion of the difference between the dollar amount thus obtained and the principal amount hereof that has accreted at the Yield to Maturity specified on the face hereof (computed in accordance with generally accepted United States bond yield computation principles) to such date of

declaration, redemption or repayment but in no event shall the Amortized Face Amount of this Note exceed the principal amount stated on the face hereof.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Noteholders to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the Notes then outstanding that would be affected thereby. The Indenture also contains provisions permitting the Holders of not less than a majority in aggregate principal amount of the Notes then outstanding, on behalf of the Holders of all Notes, to waive compliance by the Company with certain covenants in the Indenture. The Indenture also provides that the Holders of not less than a majority in aggregate principal amount of the Notes then outstanding may waive certain past defaults and their consequences on behalf of the Holders of all Notes. Any such consent or waiver by the Holder of this Global Note (if not timely revoked in accordance with the Indenture) shall be conclusive and binding upon such Holder and upon all future Holders of this Global Note and of any Note issued upon the registration of transfer hereof or in exchange herefor or in lieu

hereof, whether or not notation of such consent or waiver is made upon this Global Note or such Note.

As set forth in, and subject to, the provisions of the Indenture, no Holder of any Notes will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless such Holder shall have previously given to the Trustee written notice of a continuing default with respect to the Notes, the Holders of not less than a majority in aggregate principal amount of the Notes then outstanding shall have made written request, and offered reasonable indemnity, to the Trustee to institute such proceeding as Trustee, and the Trustee shall have failed to institute such proceeding within 60 days; PROVIDED, HOWEVER, that such limitations do not apply to a suit instituted by the Holder hereof for the enforcement of payment of the principal of and any premium or interest on this Global Note on or after the respective due dates expressed herein.

THIS NOTE IS A GLOBAL NOTE REGISTERED IN THE NAME OF THE DEPOSITARY OR A NOMINEE THEREOF AND, UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR THE INDIVIDUAL NOTES REPRESENTED HEREBY, THIS GLOBAL NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

If at any time the Depositary for this Global Note notifies the Company that it is unwilling or unable to continue as Depositary for this Global Note or if at any time the Depositary for this Global Note shall no longer be registered as a clearing agency under the Securities Exchange Act of 1934, as amended, or any successor statute or regulation, the Company may appoint a successor Depositary with respect to this Global Note. If (A) a successor Depositary for this Global Note is not appointed by the Company within 90 days after the Company receives such notice or becomes aware of such ineligibility, or (B) any Notes are represented by this Global Note at a time when an Event of Default with respect to the Notes shall have occurred and be continuing, then in each case the Company's election to issue this Note in global form shall no longer be effective with respect to this Global Note and the Company will execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of individual Notes in exchange for this Global Note, shall authenticate and make available for delivery, individual Notes of like tenor and terms in definitive form in an aggregate principal amount equal to the principal amount of this Global Note in exchange for this Global Note.

If agreed by the Company and the Depositary with respect to Notes issued in the form of this Global Note, the Depositary for such Global Note shall surrender this Global Note in exchange in whole or in part for individual Notes of like tenor and terms in definitive form on such terms as are acceptable to the Company and such Depositary. Thereupon the Company shall execute, and the Trustee shall authenticate and make available for delivery, without a service charge, (1) to each Person specified by such Depositary, a new Note or Notes of like tenor and terms, and of any authorized denominations as requested by such Person in aggregate principal amount equal to and in exchange for the beneficial interest of such Person in this Global Note, and (2) to such Depositary a new Global Note of like tenor and terms and in a denomination equal to the difference, if any, between the principal amount of this Global Note and the aggregate principal amount of Notes delivered to Holders thereof.

Under certain circumstances specified in the Indenture, the Depositary may be required to surrender any two or more Global Notes which have identical terms (but which may have differing Original Issue Dates) to the Trustee, and the Company shall execute and the Trustee shall authenticate and deliver to, or at the direction of, the Depositary a Global Note in principal amount equal to the aggregate principal amount of, and with all terms identical to, the Global Notes surrendered to the Trustee, and such new Global Note shall indicate each applicable Original Issue Date and the principal amount applicable to each such Original Issue Date.

No reference herein to the Indenture and no provision of this Global Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Global Note at the times, places and rates, and in the coin or currency, herein prescribed.

The Indenture contains provisions for the satisfaction and discharge of the Indenture upon compliance by the Company with certain conditions specified therein, which provisions apply to this Note.

Prior to due presentment of this Global Note 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 Global Note is registered as the owner hereof for all purposes, whether or not this Global Note is overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

The Indenture and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York.

All terms used in the Note which are defined in the Indenture but are not defined in this Note shall have the meanings assigned to them in the Indenture.

OPTION TO ELECT REPAYMENT

[To be completed only if this Note is repayable at the option of the Holder and the Holder elects to exercise such rights]

The undersigned owner of this Note hereby irrevocably elects to have the Company repay (i) the principal amount of this Note or portion hereof below designated at the applicable optional repayment price indicated on an annex attached hereto plus accrued and unpaid interest to but excluding the date of repayment, if this election is being made pursuant to the option referred to under "Option to Elect Repayment" on the face hereof, or (ii) 100% of the principal amount of this Note plus accrued and unpaid interest to but excluding the Optional Interest Reset Date, if this election is being made following an exercise by the Company of the option referred to under "Optional Interest Reset" on the face hereof, or to but excluding the Pre-Exercise Stated Maturity Date (as defined in the Indenture), if this election is being made following an exercise by the Company of the option referred to under "Optional Extension of Original Maturity Date" on the face hereof. If a portion of this Note is not being repaid pursuant to clause (i) above, specify the principal amount to be repaid and the denomination or denominations (which will be $1,000 or an integral multiple thereof) of the Note or Notes to be issued to the Holder for the portion of this Note not being repaid (in the absence of any specification, one such Note will be issued for the portion not being repaid):

Dated:

Signature
Sign exactly as name appears on the front of this Note

Principal amount to be repaid if amount to be repaid is pursuant to clause (i) above and is less than the entire principal amount of this Note (principal amount remaining must be an authorized denomination)

$

(Which must be an integral multiple of $1,000)

Indicate address where check is to be sent:

Denomination or denominations of the Note or Notes to be issued for the portion of this Note not being repaid pursuant to clause (i) above:

SOCIAL SECURITY OR OTHER TAXPAYER ID NUMBER:

ABBREVIATIONS

The following abbreviations, when used in the inscription of the face of this instrument, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common	UNIT GIFT MIN ACT -	Custodian
		----- ------
TEN ENT - as tenants by the entireties		(Cust) (Minor) Under Uniform Gifts to Minors Act
JT TEN - as joint tenants with right of survivorship and not as tenants in common		---------- State

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED the undersigned hereby sell(s) assign(s) and transfer(s) unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

Please print or typewrite name and address including postal zip code of assignee

---

the within note and all rights thereunder, hereby irrevocably constituting and appointing

---

attorney to transfer said note on the books of the

Company, with full power of substitution in the premises.

Dated:

NOTICE: The signature(s) to this assignment must correspond with the name(s) as written upon the face of the within instrument in every particular, without alteration or enlargement or any change whatever. The signature(s) must be guaranteed by an "eligible guarantor institution" that is a member or participant in the Securities Transfer Agents Medallion Program, the Stock Exchange Medallion Program or the New York Stock Exchange, Inc. Medallion Program.

EXHIBIT B
Fixed Rate Note

REGISTERED REGISTERED

NO.

MADISON GAS AND ELECTRIC COMPANY
Fixed Rate
Medium-Term Note

The following summary of terms is subject to the provisions set forth below:

<TABLE>
<CAPTION>

<S>	<C>	<C>	<C>	<C>	<C>
CUSIP:			EXTENSION PERIOD:		
ORIGINAL ISSUE DATE:			NUMBER OF EXTENSION PERIODS:		
PRINCIPAL AMOUNT:			FINAL MATURITY DATE:		
MATURITY DATE:			OPTIONAL INTEREST RESET:	Yes	No
INTEREST RATE:			OPTIONAL INTEREST RESET DATES:		
INTEREST PAYMENT DATES:					
RECORD DATES:			ORIGINAL ISSUE DISCOUNT NOTE:	Yes	No
OPTIONAL REDEMPTION:	Yes	No	ISSUE PRICE (percentage of principal):		
INITIAL REDEMPTION DATE:					
			YIELD TO MATURITY:		
AMORTIZING NOTE:	Yes	No			
			RENEWABLE AT OPTION OF		
OPTION TO ELECT			HOLDER:	Yes	No
REPAYMENT:	Yes	No			
			ANNEX ATTACHED (and		
OPTIONAL EXTENSION OF			incorporated by		
ORIGINAL MATURITY DATE:	Yes	No	reference herein):	Yes	No

</TABLE>

Madison Gas and Electric Company, a Wisconsin corporation (herein called the "Company", which term includes any successor Person under the Indenture referred to on the reverse hereof), for value received, hereby promises to pay to or registered assigns the principal sum specified above, in such coin to currency of the United States of America as at the time of payment is legal tender for payment of public and private debts, on the Maturity date specified above, and to pay interest thereon, in such coin or

currency, from and including the Original Issue Date specified above, or from the most recent Interest Payment Date specified above to which interest has been paid or duly provided for, as the case may be. Interest shall be paid in arrears semiannually on each Interest Payment Date in each year commencing on (a) the first such Interest Payment Date next succeeding the Original Issue Date specified above, or (b) if such Original Issue Date is after a Record Date and prior to the first Interest Payment Date, on the second Interest Payment Date, at the per annum Interest Rate set forth above until Maturity and the principal hereof is paid or made available for payment. The interest so payable and punctually paid or duly provided for on any Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Note is registered at the close of business on the Record Date specified above next preceding such Interest Payment Date; PROVIDED, HOWEVER, that if the Original Issue Date falls between a Record Date and the next Interest Payment Date, the first payment of interest will be paid on the second Interest Payment Date subsequent to such Original Issue Date to the Person in whose name this Note is registered at the close of business on the Record Date for such second Interest Payment Date; and PROVIDED, FURTHER, that interest payable on the Maturity date, or, if applicable, upon redemption, shall be payable to the Person to whom principal shall be payable. Except as otherwise provided in the Indenture, any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Record Date and shall be paid to the Person in whose name this Note is registered at the close of business on a Record Date for the payment of such defaulted interest to be fixed by the Company, notice whereof shall be given to Noteholders not less than fifteen days prior to such Record Date. Payment of the principal of and any premium and interest on this Note due at the Maturity of this Note shall be payable in immediately available funds when due upon presentation and surrender of such Note at the Corporate Trust Office of the Trustee in the Borough of Manhattan, The City of New York; PROVIDED that this Note is presented to the Trustee in time for the Trustee to make such payment in such funds in accordance with its normal procedures. Accrued Interest on (and, if this Note is an Amortizing Note, installments of principal of) this Note (other than Accrued Interest or such installments payable at Maturity) shall be paid by a clearinghouse funds check mailed on

the Interest Payment Date; PROVIDED, HOWEVER, that if any Holder of Notes, the aggregate principal amount of which equals or exceeds $10,000,000, provides a written request to the Trustee on or before the applicable Record Date for such Interest Payment Date, Accrued Interest (and such installments of principal) shall be paid by wire transfer of immediately available funds to a bank within the continental United States or by direct deposit into the account of such Holder if such account is maintained with the Trustee. The Company will pay any administration costs imposed by banks in connection with making payments by wire transfer, but not any tax, assessment or governmental charge imposed upon the Holder of this Note.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS NOTE SET FORTH IN FULL ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH IN FULL AT THIS PLACE.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof, directly or through an Authenticating Agent, by manual signature of an authorized signatory, this Note 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.

Dated:

MADISON GAS AND ELECTRIC COMPANY

By
President

TRUSTEE'S CERTIFICATE
OF AUTHENTICATION

By
Secretary

This is one of the Notes referred
to in the within-mentioned Indenture.

BANK ONE, N.A., as Trustee

By
Authorized Signatory

MADISON GAS AND ELECTRIC COMPANY
MEDIUM-TERM NOTE

This Global Note is one of, and a global security which represents Notes which are part of, the duly authorized Notes of the Company (herein called the "Notes"), issued and to be issued under an Indenture dated as of _____, 1998 (herein called the "Indenture") between the Company and Bank One, N.A., as 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 statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Noteholders, and of the terms upon which the Notes are, and are to be, authenticated and delivered.

Each Note shall be dated the date of its authentication by the Trustee. Each Note shall also bear an Original Issue Date or Dates which with respect to this Global Note (or any portion thereof) shall mean the date or dates of the original issue of the Notes represented hereby as specified on the face hereof, and such Original Issue Date or Dates shall remain the same for all Notes subsequently issued upon transfer, exchange or substitution of such original Note (or such subsequently issued Notes) regardless of their dates of authentication. The Notes may bear different dates, mature at different times, bear interest at different rates, be subject to different redemption provisions, if any, and may otherwise vary, all as provided in the Indenture.

Interest on this Note will be payable on the Interest Payment Date or Interest Payment Dates as specified on the face hereof and, in either case, at Maturity. Unless otherwise specified on the face hereof, payments on this Note with respect to any particular Interest Payment Date or the Maturity date will include interest accrued from and including the applicable Original Issue Date, or from and including the most recent Interest Payment Date to which interest has been paid or duly provided for, to but excluding the particular Interest Payment Date or the Maturity date. Interest on this Note will be computed and paid on the basis of a 360-day year of twelve 30-day months.

Unless otherwise specified on the face hereof, if this Note is an Amortizing Note, payments with respect to this Note will be applied first to interest due and payable hereon and then to the reduction of the unpaid principal amount hereof. If this Note is an Amortizing Note, a table setting forth the schedule of dates and amounts of payments of principal of and interest on this Note or the formula for the amortization of principal and/or interest is set forth in an annex attached to this Note.

All percentages resulting from any calculation with respect to this Note will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with five one-millionths of a percentage point rounded upward) and all dollar amounts used in or resulting from any such calculation with respect to this Note will be rounded to the nearest cent (with one-half cent being rounded upward).

"Business Day" means, unless otherwise specified on the face hereof, any Monday, Tuesday, Wednesday, Thursday or Friday that in The City of New York is not a day on which banking institutions are authorized or obligated by law, regulation or executive order to close. If an Interest Payment Date or Maturity for this Note falls on a day that is not a Business Day, payment of principal, premium, if any, and interest to be made on such day with respect to this Note will be made on the next day that is a Business Day with the same force and effect as if made on the due date, and no additional interest will be payable on the date of payment for the period from and after the due date as a result of such delayed payment.

This Note will be redeemable at the option of the Company prior to its Stated Maturity only if an Initial Redemption Date is specified on the face hereof. If so specified, this Note will be subject to redemption at the option of the Company on any date on and after such Initial Redemption Date in whole or from time to time in part in increments of $1,000 or integral multiples thereof, at the redemption prices specified in an annex attached to this Note, plus accrued and unpaid interest to but excluding the date of redemption, but payments due with respect to this Note prior to the date of redemption will be payable to the Holder of this Note of record at the close of business on the relevant Record Date specified on the face hereof, all as provided in the Indenture. The Company may exercise such option by causing the Trustee to mail a notice of such redemption, at least 30 but not more than 60 calendar days prior to the date of redemption, in accordance with the provisions of the Indenture. In the event of redemption of this Note in part only, this Note will be cancelled and a new Note or Notes representing the unredeemed portion hereof will be issued in the name of the Holder hereof. This Note is not subject to a sinking fund unless otherwise specified in an annex attached hereto.

If so specified on the face of this Note, (i) this Note shall be subject to repayment, in whole or in part, prior to Stated Maturity at the option of the Holder on a certain date or dates and at a certain price or prices, plus accrued and unpaid interest to but excluding the date of payment; (ii) the Stated Maturity of this Note may be extended at the option of the Company for one or more Extension Periods of from one to five years, as specified on the

face hereof, up to but not beyond the Final Maturity Date specified on the face hereof; (iii) the interest rate specified on the face hereof may be reset by the Company in accordance with a formula or otherwise on the Optional Interest Reset Date or Dates specified on the face hereof; and/or (iv) this Note shall be renewable at the option of the Holder, in each case in accordance with the provisions of the Indenture applicable thereto and/or as specified in an annex attached to this Note.

Notwithstanding anything herein to the contrary, if this Note is an Original Issue Discount Note as specified on the face hereof, the amount payable in the event the principal amount hereof is declared to be due and payable immediately by reason of an Event of Default or in the event of redemption or repayment hereof prior to the Stated Maturity hereof, in lieu of the principal amount due at the Stated Maturity hereof, shall be the Amortized Face Amount of this Note as of the date of declaration, redemption or repayment, as the case may be. The "Amortized Face Amount" of this Note shall be the amount equal to

the principal amount of this Note multiplied by the Issue Price specified on the face hereof plus (b) the portion of the difference between the dollar amount thus obtained and the principal amount hereof that has accreted at the Yield to Maturity specified on the face hereof (computed in accordance with generally accepted United States bond yield computation principles) to such date of declaration, redemption or repayment but in no event shall the Amortized Face Amount of this Note exceed the principal amount stated on the face hereof.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Noteholders to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the Notes then outstanding that would be affected thereby. The Indenture also contains provisions permitting the Holders of not less than a majority in aggregate principal amount of the Notes then outstanding, on behalf of the Holders of all Notes, to waive compliance by the Company with certain covenants in the Indenture. The Indenture also provides that the Holders of not less than a majority in aggregate principal amount of the Notes then outstanding may waive certain past defaults and their consequences on behalf of the Holders of all Notes. Any such consent or waiver by the Holder of this Global Note (if not timely revoked in accordance with the Indenture) shall be conclusive and binding upon such Holder and upon all future Holders of this Global Note and of any Note issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Global Note or such Note.

As set forth in, and subject to, the provisions of the Indenture, no Holder of any Notes will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless such Holder shall have previously given to the Trustee written notice of a continuing default with respect to the Notes, the Holders of not less than a majority in aggregate principal amount of the Notes then outstanding shall have made written request, and offered reasonable indemnity, to the Trustee to institute such proceeding as Trustee, and the Trustee shall have failed to institute such proceeding within 60 days; PROVIDED, HOWEVER, that such limitations do not apply to a suit instituted by the Holder hereof for the enforcement of payment of the principal of and any premium or interest on this Note on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Note at the times, places and rates, and in the coin or currency, herein prescribed.

The Indenture contains provisions for the satisfaction and discharge of the Indenture upon compliance by the Company with certain conditions specified therein, which provisions apply to this Note.

Unless otherwise specified in an annex attached hereto, the Notes are issuable only in registered form, without coupons, in denominations of $1,000 and integral multiples thereof. As provided in the Indenture and subject to certain limitations specified therein, this Note may be exchanged for one or more new Notes, of any authorized denominations and of a like aggregate principal amount and Stated Maturity and having the same terms and Original Issue Date, as requested by the Holder surrendering this Note.

As provided in the Indenture and subject to the limitations specified therein, upon due presentment of this Note for registration of transfer at an office or agency of the Trustee in the Borough of Manhattan, The City of New York, maintained for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the note registrar duly executed by, the Holder hereof or the attorney of such Holder

duly authorized in writing, the Company shall execute and register or cause to be registered and the Trustee shall authenticate and make available for delivery, in the name of the transferee or transferees one or more new Notes of any authorized denominations and of a like aggregate principal amount

and Stated Maturity and having the same terms and Original Issue Date.

No service charge will be made for any such exchange or registration of transfer, 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 Note 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 Note is registered as the owner hereof for all purposes, whether or not this Note is overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

The Indenture and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York.

All terms used in the Note which are defined in the Indenture but are not defined in this Note shall have the meanings assigned to them in the Indenture.

OPTION TO ELECT REPAYMENT

[To be completed only if this Note is repayable at the option of the Holder and the Holder elects to exercise such rights]

The undersigned owner of this Note hereby irrevocably elects to have the Company repay (i) the principal amount of this Note or portion hereof below designated at the applicable optional repayment price indicated on an annex attached hereto plus accrued and unpaid interest to but excluding the date of repayment, if this election is being made pursuant to the option referred to under "Option to Elect Repayment" on the face hereof, or (ii) 100% of the principal amount of this Note plus accrued and unpaid interest to but excluding the Optional Interest Reset Date, if this election is being made following an exercise by the Company of the option referred to under "Optional Interest Reset" on the face hereof, or to but excluding the Pre-Exercise Stated Maturity Date (as defined in the Indenture), if this election is being made following an exercise by the Company of an option referred to under "Optional Extension of Original Maturity Date" on the face hereof. If a portion of this Note is not being repaid pursuant to clause (i) above, specify the principal amount to be repaid and the denomination or denominations (which will be $1,000 or an integral multiple thereof) of the Note or Notes to be issued to the Holder for the portion of this Note not being repaid (in the absence of any specification, one such Note will be issued for the portion not being repaid):

Dated:
---------- ----------

Signature
Sign exactly as name appears on the front of this Note

Principal amount to be repaid if amount to be repaid is pursuant to clause (i) above and is less than the entire principal amount of this Note (principal amount remaining must be an authorized denomination)

Indicate address where check is to be sent:

$

(Which must be an integral multiple
  of $1,000)

Denomination or denominations of the Note or Notes to be issued for the portion of this Note not being repaid pursuant to clause (i) above:

SOCIAL SECURITY OR OTHER TAXPAYER ID NUMBER:

ABBREVIATIONS

The following abbreviations, when used in the inscription of the face of this instrument, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common

TEN ENT - as tenants by the entireties

JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIT GIFT MIN ACT - Custodian
----- -----
(Cust) (Minor)
Under Uniform Gifts to Minors Act

State

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED the undersigned hereby sell(s) assign(s) and transfer(s) unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

Please print or typewrite name and address including postal zip code of assignee

---

the within note and all rights thereunder, hereby irrevocably constituting and appointing _____ _____ attorney to transfer said note on the books of the Company, with full power of substitution in the premises.

Dated:----------

NOTICE: The signature(s) to this assignment must correspond with the name(s) as written upon the

face of the within instrument in every particular, without alteration or enlargement or any change whatever. The signature(s) must be guaranteed by an "eligible guarantor institution" that is a member or participant in the Securities Transfer Agents Medallion Program, the Stock Exchange Medallion Program or the New York Stock Exchange, Inc. Medallion Program.

EXHIBIT C
Global Floating Rate Note

REGISTERED REGISTERED

NO.

MADISON GAS AND ELECTRIC COMPANY
Floating Rate
Medium-Term Note

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Company or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co., or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

The following summary of terms is subject to the provisions set forth below:

CUSIP:	INITIAL REDEMPTION DATE:
ORIGINAL ISSUE DATE(S):	AMORTIZING NOTE: / / Yes / / No
PRINCIPAL AMOUNT:	OPTION TO ELECT REPAYMENT: / / Yes / / No
MATURITY DATE:	OPTIONAL EXTENSION OF
INITIAL INTEREST RATE:	ORIGINAL MATURITY DATE: / / Yes / / No
INTEREST RATE BASIS OR BASE RATE (including any Designated LIBOR Page):	EXTENSION PERIOD:
	NUMBER OF EXTENSION PERIODS:
INDEX MATURITY:	FINAL MATURITY DATE:
INTEREST DETERMINATION DATES:	OPTIONAL INTEREST RESET: / / Yes / / No
INTEREST RESET PERIOD:	OPTIONAL INTEREST RESET DATES:
INTEREST RESET DATES:	ORIGINAL ISSUE DISCOUNT
SPREAD:	NOTE: / / Yes / / No
SPREAD MULTIPLIER:	ISSUE PRICE (percentage of principal):
MAXIMUM INTEREST RATE:	YIELD TO MATURITY:

MINIMUM INTEREST RATE:

INTEREST PAYMENT DATES:

RECORD DATES:

OPTIONAL REDEMPTION: / / Yes / / No

RENEWABLE AT OPTION OF HOLDER: / / Yes / / No

ANNEX ATTACHED (and incorporated by reference herein): / / Yes / / No

Madison Gas and Electric Company, a Wisconsin corporation (herein called the "Company", which term includes any successor Person under the Indenture referred to on the reverse hereof), for value received, hereby promises to pay to

or registered assigns the principal sum specified above, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts, on the Maturity date specified above and to pay interest thereon, in such coin or currency, from and including the Original Issue Date (or if this Global Note has two or more Original Issue Dates, interest shall, beginning on each such Original Issue Date, begin to accrue for that part of the principal amount to which such Original Issue Date is applicable) specified above, or from and including the most recent Interest Payment Date specified above to which interest has been paid or duly provided for, as the case may be. Interest shall be paid in arrears monthly, quarterly, semiannually or annually as specified above under Interest Payment Dates, on each Interest Payment Date in each year and at Maturity, commencing on (a) the first such Interest Payment Date next succeeding the earliest Original Issue Date or Dates, or (b) if such Original Issue Date is after a Record Date and prior to the first Interest Payment Date, on the second Interest Payment Date, at a rate per annum equal to the Initial Interest Rate specified above until the initial Interest Reset Date specified above, and thereafter at a rate per annum determined in accordance with the provisions in the Indenture for calculating the Interest Rate for Notes having the Interest Rate Basis specified above, until Maturity and the principal hereof is paid or made available for payment. The interest so payable and punctually paid or duly provided for on any Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Note is registered at the close of business on the Record Date specified above next preceding such Interest Payment Date; PROVIDED, HOWEVER, that if an Original Issue Date falls between a Record Date and the next Interest Payment Date, the first payment of interest with respect to such Original Issue Date will be paid on the second Interest Payment Date subsequent to such Original Issue Date to the Person in whose name this Note is registered at the close of business on the Record Date for such second Interest Payment Date; and PROVIDED, FURTHER, that interest payable on the Maturity date or, if applicable, upon redemption, shall be payable to the Person to whom principal shall be payable. Except as otherwise provided in the Indenture, any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Record Date and shall be paid to the Person in whose name this Note is registered at the close of business on a Record Date for the payment of such defaulted interest to be fixed by the Company, notice whereof shall be given to Noteholders not less than fifteen days prior to such Record Date. Payment of the principal of and any premium and interest on this Note shall be made on or before

10:30 A.M., New York City time or such other time as shall be agreed upon between the Trustee and the Depositary, of the day on which such payment is due, by wire transfer into the account specified by the Depositary; PROVIDED, HOWEVER, that as a condition to the payment at the Maturity date of any part of the principal and any applicable premium of this Global Note, the Depositary shall surrender, or cause to be surrendered, this Global Note to

the Trustee. The Company will pay any administrative costs imposed by banks in connection with making payments by wire transfer, but not any tax, assessment or governmental charge imposed on the Holder of this Note.

Under certain circumstances, this Global Note is exchangeable in whole or from time to time in part for a definitive individual Note or Notes, with the same Original Issue Date or Dates, Maturity date, Interest Rate and redemption and other provisions as provided herein or in the Indenture.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS GLOBAL NOTE SET FORTH IN FULL ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH IN FULL AT THIS PLACE.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof, directly or through an Authenticating Agent, by manual signature of an authorized signatory, this Note 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.

Dated:

MADISON GAS AND ELECTRIC COMPANY

By

President

TRUSTEE'S CERTIFICATE
OF AUTHENTICATION

This is one of the Notes referred to in the within-mentioned Indenture.

By

Secretary

BANK ONE, N.A., as Trustee

By

Authorized Signatory

MADISON GAS AND ELECTRIC COMPANY
MEDIUM-TERM NOTE

This Global Note is one of, and a global security which represents Notes which are part of, the duly authorized Notes of the Company (herein called the "Notes"), issued and to be issued under an Indenture dated as of _____, 1998 (herein called the "Indenture") between the Company and Bank One, N.A., as 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 statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Noteholders, and of the terms upon which the Notes are, and are to be, authenticated and delivered.

Each Note shall be dated the date of its authentication by the Trustee. Each Note shall also bear an Original Issue Date or Dates which with respect to this Global Note (or any portion thereof) shall mean the date or dates of the original issue of the Notes represented hereby as specified on the face hereof, and such Original Issue Date or Dates shall remain the same for all Notes subsequently issued upon transfer, exchange or substitution of such

original Note (or such subsequently issued Notes) regardless of their dates of authentication. The Notes may bear different dates, mature at different times, bear interest at different rates, be subject to different redemption provisions, if any, and may otherwise vary, all as provided in the Indenture.

Interest on this Note will be payable on the Interest Payment Date or Interest Payment Dates as specified on the face hereof and, in either case, at Maturity. Unless otherwise specified on the face hereof, payments on this Note with respect to any particular Interest Payment Date or the Maturity date will include interest accrued from and including the applicable Original Issue Date, or from and including the most recent Interest Payment Date to which interest has been paid or duly provided for, to but excluding the particular Interest Payment Date or the Maturity date. Interest on this Note shall be calculated for each day during such period by dividing the interest rate applicable to such day by 360, if the Interest Rate Basis specified on the face hereof is the Commercial Paper Rate, LIBOR or Prime Rate, or by the actual number of days in the year, if the Interest Rate Basis specified on the face hereof is the Treasury Rate. Unless otherwise provided in an annex attached hereto, the Trustee, acting in the capacity of Calculation Agent, will calculate the Interest Rate on this Note. Upon the request of any Holder of this Note, the Trustee shall provide to such Holder the Interest Rate then in effect and, if then determined, the interest rate that will become effective on the next Interest Reset Date with respect to this Note. Each such determination of an Interest Rate will be final and binding in the absence of manifest error.

Unless otherwise specified in an annex attached hereto, if this Note is an Amortizing Note, payments with respect to this Note will be applied first to interest due and payable hereon and then to the reduction of the unpaid principal amount hereof. If this Note is an Amortizing Note, a table setting forth the schedule of dates and amounts of payments of principal of and interest on this Note or the formula for the amortization of principal and/or interest is set forth in an annex attached to this Note.

All percentages resulting from any calculation with respect to this Note will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with five one-millionths of a percentage point rounded upward) and all dollar amounts used in or resulting from any such calculation with respect to this Note will be rounded to the nearest cent (with one-half cent being rounded upward).

"Business Day" means, unless otherwise specified on the face hereof, any Monday, Tuesday, Wednesday, Thursday or Friday that in The City of New York is not a day on which banking institutions are authorized or obligated by law, regulation or executive order to close. If an Interest Payment Date or Maturity for this Note falls on a day that is not a Business Day, payment of principal, premium, if any, and interest to be made on such day with respect to this Note will be made on the next day that is a Business Day with the same force and effect as if made on the due date, and no additional interest will be payable on the date of payment for the period from and after the due date as a result of such delayed payment.

This Note will be redeemable at the option of the Company prior to its Stated Maturity only if an Initial Redemption Date is specified on the face hereof. If so specified, this Note will be subject to redemption at the option of the Company on any date on and after such Initial Redemption Date in whole or from time to time in part in increments of $1,000 or integral multiples thereof, at the redemption prices specified in an annex attached to this Note, plus accrued and unpaid interest to but excluding the date of redemption, but payments due with respect to this Note prior to the date of redemption will be payable to the Holder of this Note of record at the close of business on the relevant Record Date specified on the face hereof, all as provided in the Indenture. The Company may exercise such option by causing the Trustee to mail a notice of such redemption, at least 30 but not more than 60 calendar days

prior to the date of redemption, in accordance with the provisions of the Indenture. In the event of redemption of this Note in part only, this Note will be cancelled and a new Note or Notes representing the unredeemed portion hereof will be issued in the name of the Holder hereof. This Note is not subject to a sinking fund unless otherwise specified in an annex attached hereto.

If so specified on the face of this Note, (i) this Note shall be subject to repayment, in whole or in part, prior to Stated Maturity at the option of the Holder on a certain date or dates and at a certain price or prices, plus accrued and unpaid interest to but excluding the date of payment; (ii) the Stated Maturity of this Note may be extended at the option of the Company for one or more Extension Periods of from one to five years, as specified on the face hereof, up to but not beyond the Final Maturity Date specified on the face hereof; (iii) the interest rate specified on the face hereof may be reset by the Company in accordance with a formula or otherwise on the Optional Interest Reset Date or Dates specified on the face hereof; and/or (iv) this Note shall be renewable at the option of the Holder, in each case in accordance with the provisions of the Indenture applicable thereto and/or as specified in an annex attached to this Note.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Noteholders to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the Notes then outstanding that would be affected thereby. The Indenture also contains provisions permitting the Holders of not less than a majority in aggregate principal amount of the Notes then outstanding, on behalf of the Holders of all Notes, to waive compliance by the Company with certain covenants in the Indenture. The Indenture also provides that the Holders of not less than a majority in aggregate principal amount of the Notes then outstanding may waive certain past defaults and their consequences on behalf of the Holders of all Notes. Any such consent or waiver by the Holder of this Global Note (if not timely revoked in accordance with the Indenture) shall be conclusive and binding upon such Holder and upon all future Holders of this Global Note and of any Note issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Global Note or such Note.

As set forth in, and subject to, the provisions of the Indenture, no Holder of any Notes will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless such Holder shall have previously given to the Trustee written notice of a continuing default with respect to the Notes, the Holders of not less than a majority in aggregate principal amount of the Notes then outstanding shall have made written request, and offered reasonable indemnity, to the Trustee to institute such proceeding as Trustee, and the Trustee shall have failed to institute such proceeding within 60 days; PROVIDED, HOWEVER, that such limitations do not apply to a suit instituted by the Holder hereof for the enforcement of payment of the principal

of and any premium or interest on this Global Note on or after the respective due dates expressed herein.

THIS NOTE IS A GLOBAL NOTE REGISTERED IN THE NAME OF THE DEPOSITARY OR A NOMINEE THEREOF AND, UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR THE INDIVIDUAL NOTES REPRESENTED HEREBY, THIS GLOBAL NOTE MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY

OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OF SUCH SUCCESSOR DEPOSITARY.

If at any time the Depositary for this Global Note notifies the Company that it is unwilling or unable to continue as Depositary for this Global Note or if at any time the Depositary for this Global Note shall no longer be registered as a clearing agency under the Securities Exchange Act of 1934, as amended, or any successor statute or regulation, the Company may appoint a successor Depositary with respect to this Global Note. If (A) a successor Depositary for this Global Note is not appointed by the Company within 90 days after the Company receives such notice or becomes aware of such ineligibility, or (B) any Notes are represented by this Global Note at a time when an Event of Default with respect to the Notes shall have occurred and be continuing, then in each case the Company's election to issue this Note in global form shall no longer be effective with respect to this Global Note and the Company will execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of individual Notes in exchange for this Global Note, shall authenticate and make available for delivery, individual Notes of like tenor and terms in definitive form in an aggregate principal amount equal to the principal amount of this Global Note in exchange for this Global Note.

If agreed by the Company and the Depositary with respect to Notes issued in the form of this Global Note, the Depositary for such Global Note shall surrender this Global Note in exchange in whole or in part for individual Notes of like tenor and terms in definitive form on such terms as are acceptable to the Company and such Depositary. Thereupon the Company shall execute, and the Trustee shall authenticate and make available for delivery, without a service charge, (1) to each Person specified by such Depositary, a new Note or Notes of like tenor and terms, and of any authorized denominations as requested by such Person in aggregate principal amount equal to and in exchange for the beneficial interest of such Person in this Global Note, and (2) to such Depositary a new Global Note of like tenor and terms and in a denomination equal to the difference, if any, between the principal amount of this Global Note and the aggregate principal amount of Notes delivered to Holders thereof.

Under certain circumstances specified in the Indenture, the Depositary may be required to surrender any two or more Global Notes which have identical terms (but which may have differing Original Issue Dates) to the Trustee, and the Company shall execute and the Trustee shall authenticate and deliver to, or at the direction of, the Depositary a Global Note in principal amount equal to the aggregate principal amount of, and with all terms identical to, the Global Notes surrendered to the Trustee, and such new Global Note shall indicate each applicable Original Issue Date and the principal amount applicable to each such Original Issue Date.

No reference herein to the Indenture and no provision of this Global Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Global Note at the times, places and rates, and in the coin or currency, herein prescribed.

The Indenture contains provisions for the satisfaction and discharge of the Indenture upon compliance by the Company with certain conditions specified therein, which provisions apply to this Note.

Prior to due presentment of this Global Note 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 Global Note is registered as the owner hereof for all purposes, whether or not this Global Note is overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

The Indenture and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York.

All terms used in the Note which are defined in the Indenture but are not defined in this Note shall have the meanings assigned to them in the Indenture.

OPTION TO ELECT REPAYMENT

[To be completed only if this Note is repayable at the option of the Holder and the Holder elects to exercise such rights]

The undersigned owner of this Note hereby irrevocably elects to have the Company repay (i) the principal amount of this Note or portion hereof below designated at the applicable optional repayment price indicated on an annex attached hereto plus accrued and unpaid interest to but excluding the date of repayment, if this election is being made pursuant to the option referred to under "Option to Elect Repayment" on the face hereof, or (ii) 100% of the principal amount of this Note plus accrued and unpaid interest to but excluding the Optional Interest Reset Date, if this election is being made following an exercise by the Company of the option referred to under "Optional Interest Reset" on the face hereof, or to but excluding the Pre-Exercise Stated Maturity Date (as defined in the Indenture), if this election is being made following an exercise by the Company of the option referred to under "Optional Extension of Original Maturity Date" on the face hereof. If a portion of this Note is not being repaid pursuant to clause (i) above, specify the principal amount to be repaid and the denomination or denominations (which will be $1,000 or an integral multiple thereof) of the Note or Notes to be issued to the Holder for the portion of this Note not being repaid (in the absence of any specification, one such Note will be issued for the portion not being repaid):

Dated:

Signature
Sign exactly as name appears on the front of this Note

Principal amount to be repaid if amount to be repaid is pursuant to clause (i) above and is less than the entire principal amount of this Note (principal amount remaining must be an authorized denomination)

Indicate address where check is to be sent:

$

(Which must be an integral multiple of $1,000)

Denomination or denominations of the Note or Notes to be issued for the portion of this Note not being repaid pursuant to clause (i) above:

SOCIAL SECURITY OR OTHER TAXPAYER ID NUMBER:

ABBREVIATIONS

The following abbreviations, when used in the inscription of the face of this instrument, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common	UNIT GIFT MIN ACT - _____Custodian_____ (Cust) (Minor) Under Uniform Gifts to Minors Act
TEN ENT - as tenants by the entireties	
JT TEN - as joint tenants with right of survivorship and not as tenants in common	---------- State

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED the undersigned hereby sell(s) assign(s) and transfer(s) unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

Please print or typewrite name and address including postal zip code of assignee

---

the within note and all rights thereunder, hereby irrevocably constituting and appointing _____ _____ attorney to transfer said note on the books of the Company, with full power of substitution in the premises.

Dated:

NOTICE: The signature(s) to this assignment must correspond with the name(s) as written upon the face of the within instrument in every particular, without alteration or enlargement or any change whatever. The signature(s) must be guaranteed by an "eligible guarantor institution" that is a member or participant in the Securities Transfer Agents Medallion Program, the Stock Exchange Medallion Program or the New York Stock Exchange, Inc. Medallion Program.

EXHIBIT D
Floating Rate Note

REGISTERED REGISTERED

NO.

MADISON GAS AND ELECTRIC COMPANY
Floating Rate
Medium-Term Note

The following summary of terms is subject to the provisions set forth below:

CUSIP:	INITIAL REDEMPTION DATE:
ORIGINAL ISSUE DATE:	AMORTIZING NOTE: / / Yes / / No
PRINCIPAL AMOUNT:	OPTION TO ELECT REPAYMENT: / / Yes / / No
MATURITY DATE:	OPTIONAL EXTENSION OF
INITIAL INTEREST RATE:	ORIGINAL MATURITY DATE: / / Yes / / No
INTEREST RATE BASIS OR BASE RATE (including any Designated LIBOR Page):	EXTENSION PERIOD:
	NUMBER OF EXTENSION PERIODS:
INDEX MATURITY:	FINAL MATURITY DATE:
INTEREST DETERMINATION DATES:	OPTIONAL INTEREST RESET: / / Yes / / No
INTEREST RESET PERIOD:	OPTIONAL INTEREST RESET DATES:
INTEREST RESET DATES:	ORIGINAL ISSUE DISCOUNT
SPREAD:	NOTE: / / Yes / / No
SPREAD MULTIPLIER:	ISSUE PRICE (percentage of principal):
MAXIMUM INTEREST RATE:	YIELD TO MATURITY:
MINIMUM INTEREST RATE:	RENEWABLE AT OPTION OF HOLDER: / / Yes / / No
INTEREST PAYMENT DATES:	ANNEX ATTACHED (and incorporated by
RECORD DATES:	reference herein): / / Yes / / No
OPTIONAL REDEMPTION: / / Yes / / No	

Madison Gas and Electric Company, a Wisconsin corporation (herein called the "Company", which term includes any successor Person under the Indenture referred to on the reverse hereof), for value received, hereby promises to pay to

or registered assigns the principal sum specified above, in such coin to currency of the United States of America as at the time of payment is legal

tender for payment of public and private debts, on the Maturity date specified above, and to pay interest thereon, in such coin or currency, from and including the Original Issue Date specified above, or from the most recent Interest Payment Date specified above to which interest has been paid or duly provided for, as the case may be. Interest shall be paid in arrears monthly, quarterly, semiannually or annually as specified above under Interest Payment Dates, on each Interest Payment Date in each year and at Maturity, commencing on (a) the first such Interest Payment Date next succeeding the Original Issue Date specified above, or (b) if such Original Issue Date is after a Record Date and prior to the first Interest Payment Date, on the second Interest Payment Date, at a rate per annum equal to the Initial Interest Rate specified above until the initial Interest Reset Date specified above, and thereafter at a rate per annum determined in accordance with the provisions in the Indenture for calculating the Interest Rate for Notes having the Interest Rate Basis specified above, until Maturity and the principal hereof is paid or made available for payment. The interest so payable and punctually paid or duly provided for on any Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Note is registered at the close of business on the Record Date specified above next preceding such Interest Payment Date; PROVIDED, HOWEVER, that if the Original Issue Date falls between a Record Date and the next Interest Payment Date, the first payment of interest will be paid on the second Interest Payment Date subsequent to such Original Issue Date to the Person in whose name this Note is registered at the close of business on the Record Date for such second Interest Payment Date; and PROVIDED, FURTHER, that interest payable on the Maturity date, or, if applicable, upon redemption, shall be payable to the Person to whom principal shall be payable. Except as otherwise provided in the Indenture, any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Record Date and shall be paid to the Person in whose name this Note is registered at the close of business on a Record Date for the payment of such defaulted interest to be fixed by the Company, notice whereof shall be given to Noteholders not less than fifteen days prior to such Record Date. Payment of the principal of and any premium and interest on this Note due at the Maturity of this Note shall be payable in immediately available funds when due upon presentation and surrender of such Note at the Corporate Trust Office of the Trustee in the Borough of Manhattan, The City of New York; PROVIDED that

this Note is presented to the Trustee in time for the Trustee to make such payment in such funds in accordance with its normal procedures. Accrued Interest on (and, if this Note is an Amortizing Note, installments of principal of) this Note (other than Accrued Interest or such installments payable at Maturity) shall be paid by a clearinghouse funds check mailed on the Interest Payment Date; PROVIDED, HOWEVER, that if any Holder of Notes, the aggregate principal amount of which equals or exceeds $10,000,000, provides a written request to the Trustee on or before the applicable Record Date for such Interest Payment Date, Accrued Interest (and such installments of principal) shall be paid by wire transfer of immediately available funds to a bank within the continental United States or by direct deposit into the account of such Holder if such account is maintained with the Trustee. The Company will pay any administration costs imposed by banks in connection with making payments by wire transfer, but not any tax, assessment or governmental charge imposed upon the Holder of this Note.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS NOTE SET FORTH IN FULL ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH IN FULL AT THIS PLACE.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof, directly or through an Authenticating Agent, by manual signature of an authorized signatory, this Note 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.

Dated:

MADISON GAS AND ELECTRIC COMPANY

By

President

TRUSTEE'S CERTIFICATE
OF AUTHENTICATION

By

Secretary

This is one of the Notes referred
to in the within-mentioned Indenture.

BANK ONE, N.A., as Trustee

By

Authorized Signatory

MADISON GAS AND ELECTRIC COMPANY
MEDIUM-TERM NOTE

This Note is one of the duly authorized Notes of the Company (herein called the "Notes"), issued and to be issued under an Indenture dated as of _____, 1998 (herein called the "Indenture") between the Company and Bank One, N.A., as 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 statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Noteholders, and of the terms upon which the Notes are, and are to be, authenticated and delivered.

Each Note shall be dated the date of its authentication by the Trustee. Each Note shall also bear an Original Issue Date which with respect to this Note (or any portion thereof) shall mean the date of its original issue as specified on the face hereof, and such Original Issue Date shall remain the same for all Notes subsequently issued upon transfer, exchange or substitution of such original Note (or such subsequently issued Notes) regardless of their dates of authentication. The Notes may bear different dates, mature at different times, bear interest at different rates, be subject to different redemption provisions, if any, and may otherwise vary, all as provided in the Indenture.

Interest on this Note will be payable on the Interest Payment Date or Interest Payment Dates as specified on the face hereof and, in either case, at Maturity. Unless otherwise specified on the face hereof, payments on this Note with respect to any particular Interest Payment Date or the Maturity date will include interest accrued from and including the Original Issue Date, or from and including the most recent Interest Payment Date to which interest has been paid or duly provided for, to but excluding such Interest Payment Date or the Maturity date. Interest on this Note shall be calculated for each day during such period by dividing the interest rate applicable to such day by 360, if the Interest Rate Basis specified on the face hereof is the Commercial Paper Rate,

LIBOR or Prime Rate, or by the actual number of days in the year, if the Interest Rate Basis specified on the face hereof is the Treasury Rate. Unless otherwise provided in an annex attached hereto, the Trustee, acting in the capacity of Calculation Agent, will calculate the Interest Rate on this Note. Upon the request of any Holder of this Note, the Trustee shall provide to such Holder the Interest Rate then in effect and, if then determined, the interest rate that will become effective on the next Interest Reset Date with respect to this Note. Each such

determination of an Interest Rate will be final and binding in the absence of manifest error.

Unless otherwise specified in an annex attached hereto, if this Note is an Amortizing Note, payments with respect to this Note will be applied first to interest due and payable hereon and then to the reduction of the unpaid principal amount hereof. If this Note is an Amortizing Note, a table setting forth the schedule of dates and amounts of payments of principal of and interest on this Note or the formula for the amortization of principal and/or interest is set forth in an annex attached to this Note.

All percentages resulting from any calculation with respect to this Note will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with five one-millionths of a percentage point rounded upward) and all dollar amounts used in or resulting from any such calculation with respect to this Note will be rounded to the nearest cent (with one-half cent being rounded upward).

"Business Day" means, unless otherwise specified on the face hereof, any Monday, Tuesday, Wednesday, Thursday or Friday that in The City of New York is not a day on which banking institutions are authorized or obligated by law, regulation or executive order to close. If an Interest Payment Date or Maturity for this Note falls on a day that is not a Business Day, payment of principal, premium, if any, and interest to be made on such day with respect to this Note will be made on the next day that is a Business Day with the same force and effect as if made on the due date, and no additional interest will be payable on the date of payment for the period from and after the due date as a result of such delayed payment.

This Note will be redeemable at the option of the Company prior to its Stated Maturity only if an Initial Redemption Date is specified on the face hereof. If so specified, this Note will be subject to redemption at the option of the Company on any date on and after such Initial Redemption Date in whole or from time to time in part in increments of $1,000 or integral multiples thereof, at the redemption prices specified in an annex attached to this Note, plus accrued and unpaid interest to but excluding the date of redemption, but payments due with respect to this Note prior to the date of redemption will be payable to the Holder of this Note of record at the close of business on the relevant Record Date specified on the face hereof, all as provided in the Indenture. The Company may exercise such option by causing the Trustee to mail a notice of such redemption, at least 30 but not more than 60 calendar days prior to the date of redemption, in accordance with the provisions of the Indenture. In the event of redemption of this Note in part only, this Note will be cancelled and a new Note

or Notes representing the unredeemed portion hereof will be issued in the name of the Holder hereof. This Note is not subject to a sinking fund unless otherwise specified in an annex attached hereto.

If so specified on the face of this Note, (i) this Note shall be subject to repayment, in whole or in part, prior to Stated Maturity at the option of the Holder on a certain date or dates and at a certain price or prices, plus accrued and unpaid interest to but excluding the date of payment; (ii) the Stated Maturity of this Note may be extended at the option of the Company for one or more Extension Periods of from one to five years, as specified on the face hereof, up to but not beyond the Final Maturity Date specified on the face hereof; (iii) the interest rate specified on the face hereof may be reset by the Company in accordance with a formula or otherwise on the Optional Interest Reset Date or Dates specified on the face hereof; and/or (iv) this Note shall be renewable at the option of the Holder, in each case in accordance with the provisions of the Indenture applicable thereto and/or as specified in an annex attached to this Note.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Noteholders to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the Notes then outstanding that would be affected thereby. The Indenture also contains provisions permitting the Holders of not less than a majority in aggregate principal amount of the Notes then outstanding, on behalf of the Holders of all Notes, to waive compliance by the Company with certain covenants in the Indenture. The Indenture also provides that the Holders of not less than a majority in aggregate principal amount of the Notes then outstanding may waive certain past defaults and their consequences on behalf of the Holders of all Notes. Any such consent or waiver by the Holder of this Global Note (if not timely revoked in accordance with the Indenture) shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Note or such Note.

As set forth in, and subject to, the provisions of the Indenture, no Holder of any Notes will have any right to institute any proceeding with respect to the Indenture or for any remedy thereunder, unless such Holder shall have previously given to the Trustee written notice of a continuing default with respect to the Notes, the Holders of not less than a majority in aggregate principal amount of the Notes then outstanding shall have made

written request, and offered reasonable indemnity, to the Trustee to institute such proceeding as Trustee, and the Trustee shall have failed to institute such proceeding within 60 days; PROVIDED, HOWEVER, that such limitations do not apply to a suit instituted by the Holder hereof for the enforcement of payment of the principal of and any premium or interest on this Note on or after the respective due dates expressed herein.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and any premium and interest on this Note at the times, places and rates, and in the coin or currency, herein prescribed.

The Indenture contains provisions for the satisfaction and discharge of the Indenture upon compliance by the Company with certain conditions specified therein, which provisions apply to this Note.

Unless otherwise specified in an annex attached hereto, the Notes are issuable only in registered form, without coupons, in denominations of $1,000 and integral multiples thereof. As provided in the Indenture and subject to certain limitations specified therein, this Note may be exchanged for one or

more new Notes, of any authorized denominations and of a like aggregate principal amount and Stated Maturity and having the same terms and Original Issue Date, as requested by the Holder surrendering this Note.

As provided in the Indenture and subject to the limitations specified therein, upon due presentment of this Note for registration of transfer at an office or agency of the Trustee in the Borough of Manhattan, The City of New York, maintained for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the note registrar duly executed by, the Holder hereof or the attorney of such Holder duly authorized in writing, the Company shall execute and register or cause to be registered and the Trustee shall authenticate and make available for delivery, in the name of the transferee or transferees one or more new Notes of any authorized denominations and of a like aggregate principal amount and Stated Maturity and having the same terms and Original Issue Date.

No service charge will be made for any such exchange or registration of transfer, 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 Note 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 Note is registered as the owner hereof for all purposes, whether or not this Note is overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

The Indenture and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York.

All terms used in the Note which are defined in the Indenture but are not defined in this Note shall have the meanings assigned to them in the Indenture.

OPTION TO ELECT REPAYMENT

[To be completed only if this Note is repayable at the option of the Holder and the Holder elects to exercise such rights]

The undersigned owner of this Note hereby irrevocably elects to have the Company repay (i) the principal amount of this Note or portion hereof below designated at the applicable optional repayment price indicated on an annex attached hereto plus accrued and unpaid interest to but excluding the date of repayment, if this election is being made pursuant to the option referred to under "Option to Elect Repayment" on the face hereof, or (ii) 100% of the principal amount of this Note plus accrued and unpaid interest to but excluding the Optional Interest Reset Date, if this election is being made following an exercise by the Company of the option referred to under "Optional Interest Reset" on the face hereof, or to but excluding the Pre-Exercise Stated Maturity Date (as defined in the Indenture), if this election is being made following an

exercise by the Company of an option referred to under "Optional Extension of Original Maturity Date" on the face hereof. If a portion of this Note is not being repaid pursuant to clause (i) above, specify the principal amount to be repaid and the denomination or denominations (which will be $1,000 or an integral multiple thereof) of the Note or Notes to be issued to the Holder for the portion of this Note not being repaid (in the absence of any specification, one such Note will be issued for the portion not being repaid):

Dated:

Signature
Sign exactly as name appears on the front of this Note

Principal amount to be repaid if amount to be repaid is pursuant to clause (i) above and is less than the entire principal amount of this Note (principal amount remaining must be an authorized denomination)

$

(Which must be an integral multiple of $1,000)

Indicate address where check is to be sent:

Denomination or denominations of the Note or Notes to be issued for the portion of this Note not being repaid pursuant to clause (i) above:

SOCIAL SECURITY OR OTHER TAXPAYER ID NUMBER:

ABBREVIATIONS

The following abbreviations, when used in the inscription of the face of this instrument, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common

TEN ENT - as tenants by the entireties

JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIT GIFT MIN ACT - _____Custodian_____ (Cust) (Minor) Under Uniform Gifts to Minors Act

---
State

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED the undersigned hereby sell(s) assign(s) and transfer(s) unto

PLEASE INSERT SOCIAL SECURITY OR
OTHER IDENTIFYING NUMBER OF ASSIGNEE

Please print or typewrite name and address
including postal zip code of assignee

---

the within note and all rights thereunder, hereby irrevocably constituting and appointing _____
_____ attorney to transfer said note on the books of the Company, with full power of substitution in the premises.

Dated:

NOTICE: The signature(s) to this assignment must correspond with the name(s) as written upon the face of the within instrument in every particular, without alteration or enlargement or any change whatever. The signature(s) must be guaranteed by an "eligible guarantor institution" that is a member or participant in the Securities Transfer Agents Medallion Program, the Stock Exchange Medallion Program or the New York Stock Exchange, Inc. Medallion Program.

EXHIBIT 4.9

INTEREST CALCULATION AGENCY AGREEMENT

INTEREST CALCULATION AGENCY AGREEMENT between MADISON GAS AND ELECTRIC COMPANY (the "Issuer") and _____ ("_____ _____") dated as of _____ __, 1998.

PRELIMINARY STATEMENT

1. The Issuer proposes to issue and sell its Medium-Term Notes due from 9 Months to 30 Years from Date of Issue (the "Notes") from time to time under, and pursuant to, the terms of an Indenture, dated as of _____ _, 1998 between the Company and _____, as Trustee (in such capacity, the "Trustee"), (the "Indenture"). Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Indenture and if not defined therein then as defined in the Prospectus and Prospectus Supplement relating to the Notes.

2. The Issuer desires to appoint an agent of the Issuer to calculate the base rates applicable to those Notes on which interest is to accrue, at any time, at a variable or floating rate ("Floating Rate Notes"), determined by references to the Commercial Paper Rate, LIBOR, the Prime Rate, the Treasury Rate or other interest rate basis as is set forth in a pricing supplement (collectively, the "Base Rates") as are specified and described in the Floating Rate Notes.

NOW, THEREFORE, the Issuer and _____ hereby agree as follows:

Section 1. APPOINTMENT OF CALCULATION AGENT. The Issuer hereby appoints _____ as Calculation Agent (in such capacity, the "Calculation Agent") of the Issuer with respect to any Floating Rate Notes to be issued by the Issuer under and pursuant to the terms of the Indenture, and the Calculation Agent hereby accepts its obligations as set forth in this Agreement upon the terms and conditions set forth herein.

SECTION 2. CALCULATION OF BASE RATES. The calculation date (the "Calculation Date") for each applicable Interest Determination Date for any Note shall be the earlier of (i) the tenth calendar day after such Interest Determination Date or, if any such day is not a Business Day, the next succeeding Business Day and (ii) the Business Day preceding the applicable Interest Payment Date or date of Maturity, as the case may be. The Calculation Agent shall notify the Issuer and the Trustee of the applicable interest rate on or prior to each such Calculation Date.

If at any time the Calculation Agent is not also acting as Trustee under the Indenture, the Issuer shall, upon the issuance of each Floating Rate Note having a different Base Rate or different Interest Determination Dates than the Base Rate or Interest Determination Dates for any prior Floating Rate Note, notify such Calculation Agent of such Interest Determination Dates and the applicable interest rate base(s) or formula for such Floating Rate Note.

SECTION 3. NEW BASE RATES. If the Issuer proposes to issue Floating Rate Notes whose interest rate will be determined on a basis or formula not referred to above (a "New Base Rate"), the Issuer shall give a description of such New Base Rate to the Calculation Agent. The Calculation Agent shall determine if it is able and willing to calculate the New Base Rate and upon its agreement in writing to do so the term "Base Rate" shall be deemed to include the New Base Rate. If the Calculation Agent notifies the Issuer that it is not able or willing to calculate the New Base Rate, or that it is only willing to do so on the basis of an increase of its fees not acceptable to the Issuer, the Calculation Agent shall have no responsibility with respect to such New Base Rate and the Issuer shall appoint a different calculation agent to determine the New Base Rate.

SECTION 4. FEES AND EXPENSES. The Calculation Agent shall be entitled to such compensation for its services under this Agreement as may be agreed upon with the Issuer, and the Issuer shall pay such compensation and shall reimburse the Calculation Agent for all reasonable expenses, disbursements and advances incurred or made by the Calculation Agent in connection with the services rendered by it under this Agreement, including reasonable legal fees and expenses, upon receiving an accounting therefor from the Calculation Agent.

SECTION 5. RIGHTS AND LIABILITIES OF CALCULATION AGENT. The Calculation Agent shall incur no liability for, or in respect of, any action taken, omitted to be taken or suffered by it in reliance upon any Floating Rate Note, certificate, affidavit, instruction, notice, request, direction, order, statement or other paper, document or communication reasonably believed by it to be genuine. Any certificate, affidavit, instruction, notice, request, direction, order, statement or other communication from the Issuer made or given by it and sent, delivered or directed to the Calculation Agent under, pursuant to or as permitted by any provision of this Agreement shall be sufficient for purposes of this Agreement if such communication is in writing and signed by any officer of the Issuer. The Calculation Agent may consult with counsel satisfactory to it and the opinion of such counsel shall

constitute full and complete authorization and protection of the Calculation Agent with respect to any action taken, omitted to be taken or suffered by it hereunder in good faith and in accordance with and in reliance upon the opinion of such counsel. In acting under this Agreement, the Calculation Agent (in its capacity as such) does not assume any obligation towards, or any relationship of

agency or trust for or with the holders of the Notes.

SECTION 6. RIGHT OF CALCULATION AGENT TO OWN FLOATING RATE NOTES. The Calculation Agent may act as Trustee under the Indenture and it and its officers, employees and shareholders may become owners of, or acquire any interests in, Floating Rate Notes, with the same rights as if the Calculation Agent were not the Calculation Agent, and it may engage in, or have an interest in, any financial or other transaction with the Issuer as if the Calculation Agent were not the Calculation Agent.

SECTION 7. DUTIES OF CALCULATION AGENT. The Calculation Agent shall be obligated only to perform such duties as are specifically set forth herein and no other duties or obligations on the part of the Calculation Agent, in its capacity as such, shall be implied by this Agreement.

SECTION 8. TERMINATION, RESIGNATION OR REMOVAL OF CALCULATION AGENT. The Calculation Agent may at any time terminate this Agreement by giving no less than 90 days written notice to the Issuer unless the Issuer consents in writing to a shorter time. Upon receipt of notice of termination by the Calculation Agent, the Issuer agrees promptly to appoint a successor Calculation Agent. The Issuer may terminate this Agreement at any time by giving written notice to the Calculation Agent and specifying the date when the termination shall become effective; provided, however, that no termination by the Calculation Agent or by the Issuer shall become effective prior to the date of the appointment by the Issuer, as provided in Section 9 hereof, of a successor Calculation Agent and the acceptance of such appointment by such successor Calculation Agent. If an instrument of acceptance by a successor Calculation Agent shall not have been delivered to the Calculation Agent within 30 days after the giving of such notice of resignation, the resigning Calculation Agent may petition any court of competent jurisdiction for the appointment of a successor Calculation Agent. Upon termination by either party pursuant to the provisions of this Section, the Calculation Agent shall be entitled to the payment of any compensation owed to it by the Issuer hereunder and to the reimbursement of reasonable expenses, disbursements and advances incurred or made by the Calculation Agent in connection with the services rendered by it hereunder, as provided by Section 4 hereof.

SECTION 9. APPOINTMENT OF SUCCESSOR CALCULATION AGENT. Any successor Calculation Agent appointed by the Issuer or by a court following termination of this Agreement pursuant to the provisions of Section 8 hereof shall execute and deliver to the Calculation Agent and to the Issuer an instrument accepting such appointment, and thereupon such successor Calculation Agent shall, without any further act or instrument become vested with all the rights, immunities, duties and obligations of the Calculation Agent, with like effect as if originally named as Calculation Agent hereunder, and the resigning Calculation Agent shall thereupon be obligated to transfer and deliver, and such successor Calculation Agent shall be entitled to receive and accept, copies of any available records

maintained by the resigning Calculation Agent in connection with the performance of its obligations hereunder.

SECTION 10. INDEMNIFICATION. The Issuer shall indemnity and hold harmless the Calculation Agent, its officers and employees from and against all actions, claims, damages, liabilities, losses and expenses (including reasonable legal fees and expenses) relating to or arising out of actions or omissions in any capacity hereunder, except actions, claims, damages, liabilities, losses and expenses relating to or arising from the negligence or willful misconduct of the Calculation Agent, its officers or employees. The Calculation Agent shall indemnity and hold harmless the Issuer, its officers and employees from and against all actions, claims, damages, liabilities, losses and expenses (including reasonable legal fees and expenses) relating to or arising from the negligence or willful misconduct of the Calculation Agent, its officers or employees. This Section 10 shall survive the payment in full of all obligations under the Notes, whether by redemption, repayment or otherwise.

SECTION 11. MERGER, CONSOLIDATION OR SALE OF BUSINESS BY CALCULATION AGENT. Any corporation into which the Calculation Agent may be merged, converted or consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Calculation Agent may be a party, or any corporation to which the Calculation Agent may sell or otherwise transfer all or substantially all of its corporate trust business, shall, to the extent permitted by applicable law, become the Calculation Agent under this Agreement without the execution of any document or any further act by the parties hereto.

SECTION 12. NOTICES. Any notice or other communication given hereunder shall be delivered in person, sent by letter, telecopy or communicated by telephone (subject, in the case of communication by telephone, to written confirmation dispatched

within 24 hours) to the addresses given below or such other address as the party to receive such notice may have previously specified:

To the Issuer:

Madison Gas and Electric Company
133 South Blair Street
P.O. Box 1231
Madison, Wisconsin 53701-1231
Telephone: (608)252-7000
Telecopier: (608) -
---- ----

To the Calculation Agent:

Attention:

Telephone: ( )
--- --------
Telecopier: ( ) -
--- ---- ----
To the Trustee:

Attention: ---
Telephone: ( ) -
--- ---- ----
Telecopier: ( ) -
--- ---- ----

Any notice hereunder given by letter or telecopy shall be deemed to have been received when it would have been received in the ordinary course of post or transmission, as the case may be.

SECTION 13. BENEFIT OF AGREEMENT. Except as provided herein, this Agreement is solely for the benefit of the parties hereto and their successors and assigns and no other person shall acquire or have any rights under or by virtue hereof.

SECTION 14. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of _____.

SECTION 15. AMENDMENT. This Agreement shall be amended only in a writing signed by both parties hereto.

SECTION 16. COUNTERPARTS. This Agreement may be executed in counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Agreement.

IN WITNESS WHEREOF, this Agreement has been entered into the day and year first above written.

MADISON GAS AND ELECTRIC COMPANY

By:

Title:

By:

Title:

[Letterhead of Gary Wolter, Esq.]

Exhibit 5.1

July 20, 1998

Madison Gas & Electric Company
133 South Blair Street
P.O. Box 1231
Madison, Wisconsin 53701-1231

Subject: Madison Gas and Electric Company Registration Statement on Form S-3

Ladies and Gentlemen:

I am Senior Vice President - Administration and Secretary of Madison Gas and Electric Company (the "Company") and an attorney licensed to practice law in the State of Wisconsin. In that connection, I am familiar with the filing of a Registration Statement on Form S-3 (the "Registration Statement") relating to shares of Common Stock, par value $1 per share, of the Company ("Common Stock") which may be purchased under the Company's Investors Plus Plan (the "Plan").

I am also familiar with the Restated Articles of Incorporation and the By-Laws of the Company and all amendments thereto and resolutions of the Board of Directors of the Company relating to the Plan and the Registration Statement.

In this connection, I have examined or caused to be examined and am familiar with originals or copies, certified or otherwise identified to my satisfaction, of all such records of the Company and others as I have deemed necessary or appropriate as a basis for the opinions set forth herein. In my examination, I have assumed the genuineness of all signatures, the authenticity of all documents submitted to me as certified or photostatic copies, and the authenticity of the originals of such latter documents. As to any facts material to the opinion expressed herein which were not independently established or verified by me, I have relied upon statements and representations of certain officers and other representatives of the Company and others.

Based upon the foregoing, I am of the opinion that:

1. The Company is duly incorporated and validly existing under the laws of the State of Wisconsin.

2. Any shares of Common Stock purchased by an independent agent selected by the Company on the open market for the consideration provided in the Plan are legally issued, fully paid and non-assessable, except to the extent that such shares are assessable as provided in Section 180.0622 of the Wisconsin Business Corporation Law.

3. If the Company's Board of Directors, or a duly authorized committee

thereof, and the Public Service Commission of the State of Wisconsin authorize the issuance of authorized and unissued shares of Common Stock for the consideration (but not less than the par value) provided in the Plan, such shares will, when certificates representing such shares shall have been duly executed, countersigned and registered, and duly delivered against the receipt by the Company of the consideration provided in the Plan, be legally issued, fully paid and non-assessable, except to the extent that such shares are assessable as provided in Section 180.0622 of the Wisconsin Business Corporation Law.

4. If the Company legally and validly reacquires issued and outstanding shares of Common Stock and thereafter, pursuant to the authorization by the Board of Directors or a duly authorized committee thereof, resells such issued but not outstanding shares for the consideration (but not less than par value) provided in the Plan, such shares will upon delivery against receipt by the Company of the consideration provided in the Plan, be legally issued, fully paid and non-assessable, except to the extent that such shares are assessable as provided in Section 180.0622 of the Wisconsin Business Corporation Law.

I do not find it necessary for the purposes of such opinions to cover, and accordingly I express no opinion as to the application of the securities or blue sky laws of, the various states to the sale of shares of Common Stock.

Such opinions are limited to the General Corporation Law of the State of Wisconsin. I assume no obligation to update or supplement this opinion to reflect any facts or circumstances which may hereafter come to my attention with respect to the opinions expressed above, including any changes in applicable law which may hereafter occur.

I hereby consent to the filing of this opinion letter as an exhibit to the Registration Statement.

Very truly yours,

/s/ Gary J. Wolter

Gary J. Wolter
Senior Vice President - Administration
and Secretary

Exhibit 5.2

[Letterhead of Stafford, Rosenthal Rieser & Hansen]

July 20, 1998

Madison Gas and Electric Company
133 South Blair Street
P.O. Box 1231
Madison, Wisconsin 53701-1231

Ladies and Gentlemen:

We refer to the proposed issuances and sales by you ("Company") of a presently indeterminate number of medium-term notes ("Notes") pursuant to the terms of an indenture from the Company to Bank One, N.A., as trustee ("Note Indenture"), and the registration of a presently indeterminate number of shares of Common Stock ("Common Stock") of the Company in underwritten public offerings, as contemplated in the Registration Statement on Form S-3 to be filed by the Company on or about the date hereof ("Registration Statement") with the Securities and Exchange Commission ("Commission") under the Securities Act of 1933, as amended ("Act").

We have examined such documents and satisfied ourselves as to such matters of procedure, law and fact as we deem relevant for the purposes of the opinions expressed herein, and based upon the foregoing, we advise you that, in our opinion, (a) the Company is a duly incorporated and validly existing corporation under the laws of the State of Wisconsin, and (b) when the following additional steps have been taken:

1. The issuance, execution, delivery and sale of the Notes, and Common Stock and execution and delivery of the Note Indenture shall have been authorized by your Board of Directors;

2. Such Note Indenture and any applicable Supplemental Indentures thereto shall have been qualified under the Trust Indenture Act of 1939, as amended ("39 Act");

3. Your proposed Registration Statement being filed with the Commission under the Act, and any required amendments and post-effective amendments thereto, shall have become effective under the Act;

4. The Public Service Commission of Wisconsin shall have issued its appropriate order or orders upon applications with respect to the Notes and Common Stock; and

5. The Notes and Common Stock shall have been issued and sold in accordance with the authorizations of the Board of Directors of the Company, and

the appropriate order or orders of the Public Service Commission of Wisconsin; then

(i) the Notes will be legally issued and will constitute legal, valid and binding obligations of the Company enforceable in accordance with their terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of creditors' rights, or by general principles of equity, and

(ii) the Notes will be entitled to the benefits provided by the Note Indenture.

(iii) Upon the issuance of authorized and unissued shares of Common Stock for consideration (but not less than the par value), such shares will, when certificates representing such shares shall have been duly executed, countersigned and registered, and duly delivered against the receipt by the Company of such consideration be legally issued, fully paid and non-assessable, except to the extent that such shares are assessable as provided in Section 180.0622 of the Wisconsin Business Corporation Law.

We are further of the opinion that no approval of any state or federal regulatory authority, other than the Public Service Commission of Wisconsin and the Commission under the Act and the 39 Act is required with respect to the proposed offering, issuance and sale of the Notes and Common Stock.

We do not find it necessary for the purposes of such opinions, and accordingly do not purport herein, to cover the application of state securities or "blue sky" laws relating to sales and securities.

We consent that copies of this opinion letter may be filed with the Commission as an exhibit to the Registration Statement on Form S-3 with respect to the Securities, and to the references to my name under the captions "Legal Matters" in such Registration Statement.

Very truly yours,

/s/ Stafford, Rosenbaurm, Rieser & Hansen

STAFFORD, ROSENBAUM, RIESER & Hansen

DWS:csc

[Letterhead of Sidley & Austin]

Exhibit 5.3

July 22, 1998

Madison Gas and Electric Company
133 South Blair Street
P.O. Box 1231
Madison, Wisconsin 53701-1231

Ladies and Gentlemen:

We have acted as counsel to you in connection with the proposed offering by your corporation (the "Company"), of Medium-Term Notes (the "Notes") as described in the Registration Statement on Form S-3 (the "Registration Statement"), which is being filed by the Company with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended. The Registration Statement includes a Prospectus relating to such offering of Notes.

In rendering the opinion expressed below, we have examined the Prospectus and such other documents as we have deemed relevant and necessary, including, without limitation, the form of Indenture attached as an Exhibit to the Registration Statement. Such opinion is conditioned, among other things, upon the accuracy and completeness of the facts, information and representations contained in the Prospectus as of the date hereof and the continuing accuracy and completeness thereof as of the date of the issuance of the Notes. We have assumed that the transactions contemplated by the Prospectus and such other documents will occur as provided therein and that there will be no material change to the Prospectus or any of such other documents between the date hereof and the date of the issuance of the Notes.

Based upon and subject to the foregoing, we are of the opinion that the discussion set forth in the Prospectus under the caption "UNITED STATES FEDERAL INCOME TAX CONSEQUENCES" is a fair and accurate summary of the matters addressed therein, based upon current law and the assumptions stated or referred to therein.

We assume no obligation to update or supplement this letter to reflect any facts or circumstances which may hereafter come to our attention with respect to the opinion expressed above, including any changes in applicable law which may hereafter occur.

We hereby consent to the filing of this opinion letter as an Exhibit to the Registration Statement and to all references to our Firm included in or made a part of the Registration Statement.

Very truly yours,

/s/ Sidley & Austin

SIDLEY & AUSTIN

Exhibit No. 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statement of Madison Gas and Electric Company (the "Company") on Form S-3 of our report dated February 6, 1998, on our audits of the consolidated financial statements of the Company as of December 31, 1997 and 1996, and for the years ended December 31, 1997, 1996 and 1995, which report is included in the Company's annual report on Form 10-K. We also consent to the reference to our Firm under the caption "Experts."

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Milwaukee, Wisconsin
July 21, 1998

Registration No._____

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM T-1

STATEMENT OF ELIGIBILITY AND QUALIFICATION UNDER THE TRUST INDENTURE ACT OF 1939
OF A CORPORATION DESIGNATED TO ACT AS TRUSTEE

BANK ONE, N.A.

Not Applicable 31-4148768
(State of Incorporation (I.R.S. Employer
if not a national bank) Identification No.)

100 East Broad Street, Columbus, Ohio 43271-0181
(Address of trustee's principal (Zip Code) executive offices)

c/o Bank One Trust Company, NA
100 East Broad Street
Columbus, Ohio 43271-0181
(614) 248-6229
(Name, address and telephone number of agent for service)

MADISON GAS AND ELECTRIC COMPANY
(Exact name of obligor as specified in its charter)

Wisconsin 39-0444025
(State or other jurisdiction of (I.R.S.Employer
incorporation or organization) Identification No.)

133 South Blair Street 53701-1231
P.O. Box 1231, Madison, Wisconsin (Zip Code)
(Address of principal executive
office)

Medium Term Notes due September, 2008
(Title of the Indenture securities)

GENERAL

1. GENERAL INFORMATION.
FURNISH THE FOLLOWING INFORMATION AS TO THE TRUSTEE:

(a) NAME AND ADDRESS OF EACH EXAMINING OR SUPERVISING AUTHORITY TO WHICH IT IS SUBJECT.

Comptroller of the Currency, Washington, D.C.

Federal Reserve Bank of Cleveland, Cleveland, Ohio

Federal Deposit Insurance Corporation, Washington, D.C.

The Board of Governors of the Federal Reserve System, Washington, D.C.

(b) WHETHER IT IS AUTHORIZED TO EXERCISE CORPORATE TRUST POWERS.

The trustee is authorized to exercise corporate trust powers.

2. AFFILIATIONS WITH OBLIGOR AND UNDERWRITERS.
IF THE OBLIGOR IS AN AFFILIATE OF THE TRUSTEE, DESCRIBE EACH SUCH AFFILIATION.

The obligor is not an affiliate of the trustee.

16. LIST OF EXHIBITS
LIST BELOW ALL EXHIBITS FILED AS A PART OF THIS STATEMENT OF ELIGIBILITY AND QUALIFICATION. (EXHIBITS IDENTIFIED IN PARENTHESES, ON FILE WITH THE

COMMISSION, ARE INCORPORATED HEREIN BY REFERENCE AS EXHIBITS HERETO.)

Exhibit 1 - A copy of the Articles of Association of the trustee as now in effect.

Exhibit 2 - A copy of the Certificate of Authority of the trustee to commence business, see Exhibit 2 to Form T-1, filed in connection with Form S-3 relating to Wheeling-Pittsburgh Corporation 9 3/8% Senior Notes due 2003, Securities and Exchange Commission File No. 33-50709.

Exhibit 3 - A copy of the Authorization of the trustee to exercise corporate trust powers, see Exhibit 3 to Form T-1, filed in connection with Form S-3 relating to Wheeling-Pittsburgh Corporation 9 3/8% Senior Notes due 2003, Securities and Exchange Commission File No. 33-50709.

Exhibit 4 - A copy of the Bylaws of the trustee as now in effect.

Exhibit 5 - Not applicable.

Exhibit 6 - The consent of the trustee required by Section 321(b) of the Trust Indenture Act of 1939, as amended.

Exhibit 7 - Report of Condition of the trustee as of the close of business on March 31, 1998, published pursuant to the requirements of the Comptroller of the Company, see attached.

Exhibit 8 - Not applicable.

Exhibit 9 - Not applicable.
Items 3 through 15 are not answered pursuant to General Instruction B which requires responses to Item 1, 2 and 16 only, if the obligor is not in default.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, as amended, the Trustee, Bank One, NA, a national banking association organized under the National Banking Act, has duly caused this statement of eligibility and qualification to be signed on its behalf by the undersigned, thereunto duly authorized, all in Columbus, Ohio, on July 22, 1998.

Bank One, NA

By: /s/ David Knox

Authorized Signer

Exhibit 1

BANK ONE, COLUMBUS, NATIONAL ASSOCIATION
ARTICLES OF ASSOCIATION

For the purpose of organizing an association to carry on the business of banking under the laws of the United States, the following Articles of Association are entered into:

FIRST. The title of this Association shall be BANK ONE, COLUMBUS, NATIONAL ASSOCIATION.

SECOND. The main office of the Association shall be in Columbus, County of Franklin, State of Ohio. The general business of the Association shall be conducted at its main office and its branches.

THIRD. The Board of Directors of this Association shall consist of not less than five nor more than twenty-five Directors, the exact number of Directors within such minimum and maximum limits to be fixed and determined from time-to-time by resolution of the shareholders at any annual or special meeting thereof, provided, however, that the Board of Directors, by resolution of a majority thereof, shall be authorized to increase the number of its members by not more than two between regular meetings of the shareholders. Each Director, during the full term of his directorship, shall own, as qualifying shares, the minimum number of shares of either this Association or of its parent bank holding company in accordance with the provisions of applicable law. Unless

otherwise provided by the laws of the United States, any vacancy in the Board of Directors for any reason, including an increase in the number thereof, may be filled by action of the Board of Directors.

FOURTH. The annual meeting of the shareholders for the election of Directors and the transaction of whatever other business may be brought before said meeting shall be held at the main office of this Association or such other place as the Board of Directors may designate, on the day of each year specified therefor in the By-Laws, but if no election is held on that day, it may be held on any subsequent business day according to the provisions of law; and all elections shall be held according to such lawful regulations as may be prescribed by the Board of Directors.

FIFTH. The authorized amount of capital stock of this Association shall be 2,073,750 shares of common stock of the par value of Ten Dollars ($10) each; but said capital stock may be increased or decreased from time-to-time, in accordance with the provisions of the laws of the United States.

No holder of shares of the capital stock of any class of the Association shall have the preemptive or preferential right of subscription to any share of any class of stock of this Association, whether now or hereafter authorized or to any obligations convertible into stock of this Association, issued or sold, nor any right of subscription to any thereof other than such, if any, as the Board of Directors, in its discretion, may from time-to-time determine and at such price as the Board of Directors may from time-to-time fix.

This Association, at any time and from time-to-time, may authorize and issue debt obligations, whether or not subordinated, without the approval of the shareholders.

SIXTH. The Board of Directors shall appoint one of its members President of the Association, who shall be Chairman of the Board, unless the Board appoints another director to be the Chairman. The Board of Directors shall have the power to appoint one or more Vice Presidents and to appoint a Secretary and such other officers and employees as may be required to transact the business of this Association.

The Board of Directors shall have the power to define the duties of the officers and employees of this Association; to fix the salaries to be paid to them; to dismiss them; to require bonds from them and to fix the penalty thereof; to regulate the manner in which any increase of the capital of this Association shall be made; to manage and administer the business and affairs of this Association; to make all By-Laws that it may be lawful for them to make; and generally to do and perform all acts that it may be legal for a Board of Directors to do and perform.

SEVENTH. The Board of Directors shall have the power to change the location of the main office to any other place within the limits of the City of Columbus, Ohio, without the approval of the shareholders but subject to the approval of the Comptroller of the Currency; and shall have the power to establish or change the location of any branch or branches of this Association to any other location, without the approval of the shareholders but subject to the approval of the Comptroller of the Currency.

EIGHTH. The corporate existence of this Association shall continue until terminated in accordance with the laws of the United States.

NINTH. The Board of Directors of this Association, or any three or more shareholders owning, in the aggregate, not less than 10 percent of the stock of this Association, may call a special meeting of shareholders at any time. Unless otherwise provided by the laws of the United States, a notice of the time, place and purpose of every annual and special meeting of the shareholders shall be given by first-class mail, postage prepaid, mailed at least ten days prior to the date of such meeting to each shareholder of record at his address as shown upon the books of this Association.

TENTH. Every person who is or was a Director, officer or employee of the Association or of any other corporation which he served as a Director, officer or employee at the request of the Association as part of his regularly assigned duties may be indemnified by the Association in accordance with the provisions of this paragraph against all liability (including, without limitation, judgments, fines, penalties and settlements) and all reasonable expenses (including, without limitation, attorneys' fees and investigative expenses) that may be incurred or paid by him in connection with any claim, action, suit or proceeding, whether civil, criminal or administrative (all referred to hereafter in this paragraphs as "Claims") or in connection with any appeal relating thereto in which he may become involved as a party or otherwise or with which he may be threatened by reason of his being or having been a Director, officer or employee of the Association or such other corporation, or by reason of any action taken or omitted by him in his capacity as such Director, officer or employee, whether or not he continues to be such at the time such liability or expenses are incurred, provided that nothing contained in this paragraph shall be construed to permit indemnification of any such person who is adjudged guilty of, or liable for, willful misconduct, gross neglect of duty or criminal acts, unless, at the time such indemnification is sought, such indemnification in such instance is permissible under applicable law and regulations, including published rulings of the Comptroller of the Currency or other appropriate supervisory or regulatory authority, and provided further that there shall be no indemnification of directors, officers, or employees against expenses, penalties, or other payments incurred in an administrative proceeding or action instituted by an appropriate regulatory agency which proceeding or action results in a final order assessing civil money penalties or requiring affirmative action by an individual or individuals in the form of payments to the Association. Every person who may be indemnified under the provisions of this paragraph and who has been wholly successful on the merits with respect to any Claim shall be entitled to indemnification as of right. Except as provided in the preceding sentence, any indemnification under this paragraph shall be at the sole discretion of the Board of Directors and shall be made only if the Board of Directors or the Executive Committee acting by a quorum consisting of

Directors who are not parties to such Claim shall find or if independent legal counsel (who may be the regular counsel of the Association) selected by the Board of Directors or Executive Committee whether or not a disinterested quorum exists shall render their opinion that in view of all of the circumstances then surrounding the Claim, such indemnification is equitable and in the best interests of the Association. Among the circumstances to be taken into consideration in arriving at such a finding or opinion is the existence or non-existence of a contract of insurance or indemnity under which the Association would be wholly or partially reimbursed for such indemnification, but the existence or non-existence of such insurance is not the sole circumstance to be considered nor shall it be wholly determinative of whether such indemnification shall be made. In addition to such finding or opinion, no indemnification under this paragraph shall be made unless the Board of Directors or the Executive Committee acting by a quorum consisting of Directors who are not parties to such Claim shall find or if independent legal counsel (who may be the regular counsel of the Association) selected by the Board of Directors or Executive Committee whether or not a disinterested quorum exists shall render their opinion that the Director, officer or employee acted in good faith in what he reasonably believed to be the best interests of the Association or such other corporation and further in the case of any criminal action or proceeding, that the Director, officer or employee reasonably believed his conduct to be lawful. Determination of any Claim by judgment adverse to a Director, officer or employee by settlement with or without Court approval or conviction upon a plea of guilty or of NOLO CONTENDERE or its equivalent shall not create a presumption that a Director, officer or employee failed to meet the standards of conduct set forth in this paragraph. Expenses incurred with respect to any Claim may be advanced by the Association prior to the final disposition thereof upon receipt of an undertaking satisfactory to the Association by or on behalf of the recipient to repay such amount unless it is ultimately determined that he is entitled to indemnification under this paragraph. The rights of indemnification provided in this paragraph shall be in addition to any rights to which any Director, officer or employee may otherwise be entitled by contract or as a matter of law.

Every person who shall act as a Director, officer or employee of this Association shall be conclusively presumed to be doing so in reliance upon the right of indemnification provided for in this paragraph.

ELEVENTH. These Articles of Association may be amended at any regular or

special meeting of the shareholders by the affirmative vote of the holders of a majority of the stock of this Association, unless the vote of the holders of a greater amount of stock is required by law, and in that case by the vote of the holders of such greater amount.

Exhibit 4

BY-LAWS
OF
BANK ONE, COLUMBUS, NATIONAL ASSOCIATION

ARTICLE I
MEETING OF SHAREHOLDERS

SECTION 1.01. ANNUAL MEETING. The regular annual meeting of the Shareholders of the Bank for the election of Directors and for the transaction of such business as may properly come before the meeting shall be held at its main banking house, or other convenient place duly authorized by the Board of Directors, on the third Monday of January of each year, or on the next succeeding banking day, if the day fixed falls on a legal holiday. If from any cause, an election of directors is not made on the day fixed for the regular meeting of shareholders or, in the event of a legal holiday, on the next succeeding banking day, the Board of Directors shall order the election to be held on some subsequent day, as soon thereafter as practicable, according to the provisions of law; and notice thereof shall be given in the manner herein provided for the annual meeting. Notice of such annual meeting shall be given by or under the direction of the Secretary or such other officer as may be designated by the Chief Executive Officer by first-class mail, postage prepaid, to all shareholders of record of the Bank at their respective addresses as shown upon the books of the Bank mailed not less than ten days prior to the date fixed for such meeting.

SECTION 1.02. SPECIAL MEETINGS. A special meeting of the shareholders of this Bank may be called at any time by the Board of Directors or by any three or more shareholders owning, in the aggregate, not less than ten percent of the stock of this Bank. The notice of any special meeting of the shareholders called by the Board of Directors, stating the time, place and purpose of the meeting, shall be given by or under the direction of the Secretary, or such other officer as is designated by the Chief Executive Officer, by first-class mail, postage prepaid, to all shareholders of

record of the Bank at their respective addresses as shown upon the books of the Bank, mailed not less than ten days prior to the date fixed for such meeting.

Any special meeting of shareholders shall be conducted and its proceedings recorded in the manner prescribed in these By-Laws for annual meetings of shareholders.

SECTION 1.03. SECRETARY OF SHAREHOLDERS' MEETING. The Board of Directors may designate a person to be the Secretary of the meetings of shareholders. In the absence of a presiding officer, as designated in these By-Laws, the Board of Directors may designate a person to act as the presiding officer. In the event the Board of Directors fails to designate a person to preside at a meeting of shareholders and a Secretary of such meeting, the shareholders present or represented shall elect a person to preside and a person to serve as Secretary of the meeting.

The Secretary of the meetings of shareholders shall cause the returns made by the judges and election and other proceedings to be recorded in the minute book of the Bank. The presiding officer shall notify the directors-elect of their election and to meet forthwith for the organization of the new board.

The minutes of the meeting shall be signed by the presiding officer and the Secretary designated for the meeting.

SECTION 1.04. JUDGES OF ELECTION. The Board of Directors may appoint as many as three shareholders to be judges of the election, who shall hold and conduct the same, and who shall, after the election has been held, notify, in writing over their signatures, the secretary of the shareholders' meeting of the result thereof and the names of the Directors elected; provided, however, that upon

failure for any reason of any judge or judges of election, so appointed by the directors, to serve, the presiding officer of the meeting shall appoint other shareholders or their proxies to fill the vacancies. The judges of election at the request of the chairman of the

meeting, shall act as tellers of any other vote by ballot taken at such meeting, and shall notify, in writing over their signatures, the secretary of the Board of Directors of the result thereof.

SECTION 1.05. PROXIES. In all elections of Directors, each shareholder of record, who is qualified to vote under the provisions of Federal Law, shall have the right to vote the number of shares of record in his name for as many persons as there are Directors to be elected, or to cumulate such shares as provided by Federal Law. In deciding all other questions at meetings of shareholders, each shareholder shall be entitled to one vote on each share of stock of record in his name. Shareholders may vote by proxy duly authorized in writing. All proxies used at the annual meeting shall be secured for that meeting only, or any adjournment thereof, and shall be dated, and if not dated by the shareholder, shall be dated as of the date of receipt thereof. No officer or employee of this Bank may act as proxy.

SECTION 1.06. QUORUM. Holders of record of a majority of the shares of the capital stock of the Bank, eligible to be voted, present either in person or by proxy, shall constitute a quorum for the transaction of business at any meeting of shareholders, but shareholders present at any meeting and constituting less than a quorum may, without further notice, adjourn the meeting from time to time until a quorum is obtained. A majority of the votes cast shall decide every question or matter submitted to the shareholders at any meeting, unless otherwise provided by law or by the Articles of Association.

ARTICLE II

DIRECTORS

SECTION 2.01. MANAGEMENT OF THE BANK. The business of the Bank shall be managed by the Board of Directors. Each director of the Bank shall be the beneficial owner of a substantial number of shares of BANC ONE CORPORATION and shall be employed either in the position of Chief Executive Officer or active leadership within his or her business, professional or community interest which shall be located within the geographic area in which the Bank operates, or as an executive officer of the Bank. A director shall not be eligible for nomination and re-election as a director of the Bank if such person's executive or leadership position within his or her business, professional or community interests which qualifies such person as a director of Bank terminates. The age of 70 is the mandatory retirement age as a director of the Bank. When a person's eligibility as director of the Bank terminates, whether because of change in share ownership, position, residency or age, within 30 days after such termination, such person shall submit his resignation as a director to be effective at the pleasure of the Board provided, however, that in no event shall such person be nominated or elected as a director. Provided, however, following a person's retirement or resignation as a director because of the age limitations herein set forth with respect to election or re-election as a director, such person may, in special or unusual circumstances, and at the discretion of the Board, be elected by the directors as a Director Emeritus of the Bank for a limited period of time. A Director Emeritus shall have the right to participate in board meetings but shall be without the power to vote and shall be subject to re-election by the Board at its organizational meeting following the Bank's annual meeting of shareholders.

SECTION 2.02. QUALIFICATIONS. Each director shall have the qualification prescribed by law. No person elected a director may exercise any of the powers of his office until he has taken the oath of such office.

SECTION 2.03. TERM OF OFFICE/VACANCIES. A director shall hold office until the annual meeting for the year in which his term expires and until his successor shall be elected and shall qualify, subject, however, to his prior death, resignation, or removal from office. Whenever any vacancy shall occur among the

directors, the remaining directors shall constitute the directors of the Bank until such vacancy is filled by the remaining directors, and any director so appointed shall hold office for the unexpired term of his or her successor. Notwithstanding the foregoing, each director shall hold office and serve at the pleasure of the Board.

SECTION 2.04. ORGANIZATION MEETING. The directors elected by the share-holders shall meet for organization of the new board at the time fixed by the presiding officer of the annual meeting. If at the time fixed for such meeting there is no quorum present, the Directors in attendance may adjourn from time to time until a quorum is obtained. A majority of the number of Directors elected by the shareholders shall constitute a quorum for the transaction of business.

SECTION 2.05. REGULAR MEETINGS. The regular meetings of the Board of Directors shall be held on the third Monday of each calendar month excluding March and July, which meeting will be held at 4:00 p.m. When any regular meeting of the Board falls on a holiday, the meeting shall be held on such other day as the Board may previously designate or should the Board fail to so designate, on such day as the Chairman of the Board of President may fix. Whenever a quorum is not present, the directors in attendance shall adjourn the meeting to a time not later than the date fixed by the Bylaws for the next succeeding regular meeting of the Board.

SECTION 2.06. SPECIAL MEETINGS. Special meetings of the Board of Directors shall be held at the call of the Chairman of the Board or President, or at the request of two or more Directors. Any special meeting may be held at such place in Franklin County, Ohio, and at such time as may be fixed in the call. Written or oral notice shall be given to each Director not later than the day next preceding the day on which special meeting is to be held, which notice may be waived in writing.

The presence of a Director at any meeting of the Board shall be deemed a waiver of notice thereof by him. Whenever a quorum is not present the Directors in attendance shall adjourn the special meeting from day to day until a quorum is obtained.

SECTION 2.07. QUORUM. A majority of the Directors shall constitute a quorum at any meeting, except when otherwise provided by law; but a lesser number may adjourn any meeting, from time-to-time, and the meeting may be held, as adjourned, without further notice. When, however, less than a quorum as herein defined, but at least one-third and not less than two of the authorized number of Directors are present at a meeting of the Directors, business of the Bank may be transacted and matters before the Board approved or disapproved by the unanimous vote of the Directors present.

SECTION 2.08. COMPENSATION. Each member of the Board of Directors shall receive such fees for, and transportation expenses incident to, attendance at Board and Board Committee Meetings and such fees for service as a Director irrespective of meeting attendance as from time to time are fixed by resolution of the Board; provided, however, that payment hereunder shall not be made to a Director for meetings attended and/or Board service which are not for the Bank's sole benefit and which are concurrent and duplicative with meetings attended or board service for an affiliate of the Bank for which the Director receives payment; and provided further, that payment hereunder shall not be made in the case of any Director in the regular employment of the Bank or of one of its affiliates.

SECTION 2.09. EXECUTIVE COMMITTEE. There shall be a standing committee of the Board of Directors known as the Executive Committee which shall possess and exercise, when the Board is not in session, all powers of the Board that may lawfully be delegated. The Executive Committee shall also exercise the powers of the Board of Directors in accordance with the Provisions of the "Employees Retirement Plan" and the "Agreement and Declaration of Trust" as the same now

exist or may be amended hereafter. The Executive Committee shall consist of not fewer than four board members, including the Chairman of the Board and President of the Bank, one of whom, as hereinafter required by these By-laws, shall be the Chief Executive Officer. The other members of the Committee shall be appointed by the Chairman of the Board or by the President, with the approval of the Board and shall continue as members of the Executive

Committee until their successors are appointed, provided, however, that any member of the Executive Committee may be removed by the Board upon a majority vote thereof at any regular or special meeting of the Board. The Chairman or President shall fill any vacancy in the Committee by the appointment of another Director, subject to the approval of the Board of Directors. The regular meetings of the Executive Committee shall be held on a regular basis as scheduled by the Board of Directors. Special meetings of the Executive Committee shall be held at the call of the Chairman or President or any two members thereof at such time or times as may be designated. In the event of the absence of any member or members of the Committee, the presiding member may appoint a member or members of the Board to fill the place or places of such absent member or members to serve during such absence. Not fewer than three members of the Committee must be present at any meeting of the Executive Committee to constitute a quorum, provided, however that with regard to any matters on which the Executive Committee shall vote, a majority of the Committee members present at the meeting at which a vote is to be taken shall not be officers of the Bank and, provided further, that if, at any meeting at which the Chairman of the Board and President are both present, Committee members who are not officers are not in the majority, then the Chairman of the Board or President, which ever of such officers is not also the Chief Executive Officer, shall not be eligible to vote at such meeting and shall not be recognized for purposes of determining if a quorum is present at such meeting. When neither the Chairman of the Board nor President are present, the Committee shall appoint a presiding officer. The Executive Committee shal keep a record of its proceedings and report its proceedings and the action taken by it to the Board of Directors.

SECTION 2.10 COMMUNITY REINVESTMENT ACT AND COMPLIANCE POLICY COMMITTEE. There shall be a standing committee of the Board of Directors known as the Community Reinvestment Act and Compliance Policy Committee the duties of which shall be, at least once in each calendar year, to review, develop and recommend policies and programs related to the Bank's Community Reinvestment Act Compliance and regulatory compliance with all existing statutes, rules and regulations affecting the Bank under state and federal law. Such Committee shall provide and promptly make a full report of such review of current Bank policies with regard to Community Reinvestment Act and regulatory compliance in writing to the Board, with recommendations, if any, which may be necessary to correct any unsatisfactory conditions. Such Committee may, in its discretion, in fulfilling its duties, utilize the Community Reinvestment Act officers of the Bank, Banc One Ohio Corporation and Banc One Corporation and may engage outside Community Reinvestment Act experts, as approved by the Board, to review, develop and recommend policies and programs as herein required. The Community Reinvestment Act and regulatory compliance policies and procedures established and the recommendations made shall be consistent with, and shall supplement, the Community Reinvestment Act and regulatory compliance programs, policies and procedures of Banc One Corporation and Banc One Ohio Corporation. The Community Reinvestment Act and Compliance Policy Committee shall consist of not fewer than four board members, one of whom shall be the Chief Executive Officer and a majority of whom are not officers of the Bank. Not fewer than three members of the Committee, a majority of whom are not officers of the Bank, must be present to constitute a quorum. The Chairman of the Board or President of the Bank, whichever is not the Chief Executive Officer, shall be an ex officio member of the Community Reinvestment Act and Compliance Policy Committee. The Community Reinvestment Act and Compliance Policy Committee, whose chairman shall be appointed by the Boad, shall keep a record of its proceedings and report its proceedings and the action taken by it to the Board of Directors.

SECTION 2.11. TRUST COMMITTEES. There shall be two standing Committees known as the Trust Management Committee and the Trust Examination Committee appointed as hereinafter provided.

SECTION 2.12. OTHER COMMITTEES. The Board of Directors may appoint such special committees from time to time as are in its judgment necessary in the interest of the Bank.

ARTICLE III

OFFICERS, MANAGEMENT STAFF AND EMPLOYEES

SECTION 3.01. OFFICERS AND MANAGEMENT STAFF.

(a) The officers of the Bank shall include a President, Secretary and Security Officer and may include a Chairman of the Board, one or more Vice Chairmen, one or more Vice Presidents (which may include one or more Executive Vice Presidents and/or Senior Vice Presidents) and one or more Assistant Secretaries, all of whom shall be elected by the Board. All other officers may be elected by the Board or appointed in writing by the Chief Executive Officer. The salaries of all officers elected by the Board shall be fixed by the Board. The Board from time-to-time shall designate the President or Chairman of the Board to serve as the Bank's Chief Executive Officer.

(b) The Chairman of the Board, if any, and the President shall be elected by the Board from their own number. The President and Chairman of the Board shall be re-elected by the Board annually at the organizational meeting of the Board of Directors following the Annual Meeting of Shareholders. Such officers as the Board shall elect from their own number shall hold office from the date of their election as officers until the organization meeting of the Board of Directors following the next Annual Meeting of Shareholders, provided, however, that such officers may be relieved of their duties at any time by action of the Board in which event all the powers incident to their office shall immediately terminate.

(c) Except as provided in the case of the elected officers who are members of the Board, all officers, whether elected or appointed, shall hold office at the pleasure of the Board. Except as otherwise limited by law or these By-laws, the Board assigns to Chief Executive Officer and/or his

designees the authority to appoint and dismiss any elected or appointed officer or other member of the Bank's management staff and other employees of the Bank, as the person in charge of and responsible for any branch office, department, section, operation, function, assignment or duty in the Bank.

(d) The management staff of the Bank shall include officers elected by the Board, officers appointed by the Chief Executive Officer, and such other persons in the employment of the Bank who, pursuant to written appointment and authorization by a duly authorized officer of the Bank, perform management functions and have management responsibilities. Any two or more offices may be held by the same person except that no person shall hold the office of Chairman of the Board and/or President and at the same time also hold the office of Secretary.

(e) The Chief Executive Officer of the Bank and any other officer of the Bank, to the extent that such officer is authorized in writing by the Chief Executive Officer, may appoint persons other than officers who are in the employment of the Bank to serve in management positions and in connection therewith, the appointing officer may assign such title, salary, responsibilities and functions as are deemed appropriate by him, provided, however, that nothing contained herein shall be construed as placing any limitation on the authority of the Chief Executive Officer as provided in this and other sections of these By-Laws.

SECTION 3.02. CHIEF EXECUTIVE OFFICER. The Chief Executive Officer of the Bank shall have general and active management of the business of the Bank and shall see that all orders and resolutions of the Board of Directors are carried into effect. Except as otherwise prescribed or limited by these By-Laws, the Chief Executive Officer shall have full right, authority and power to control all personnel, including elected and appointed officers, of the Bank, to employ or direct the

employment of such personnel and officers as he may deem necessary, including the fixing of salaries and the dismissal of them at pleasure, and to define and prescribe the duties and responsibility of all Officers of the Bank, subject to such further limitations and directions as he may from time-to-time deem proper. The Chief Executive Officer shall perform all

duties incident to his office and such other and further duties, as may, from time-to-time, be required of him by the Board of Directors or the shareholders. The specification of authority in these By-Laws wherever and to whomever granted shall not be construed to limit in any manner the general powers of delegation granted to the Chief Executive Officer in conducting the business of the Bank. The Chief Executive Officer or, in his absence, the Chairman of the Board or President of the Bank, as designated by the Chief Executive Officer, shall preside at all meetings of shareholders and meetings of the Board. In the absence of the Chief Executive Officer, such officer as is designated by the Chief Executive Officer shall be vested with all the powers and perform all the duties of the Chief Executive Officer as defined by these By-Laws. When designating an officer to serve in his absence, the Chief Executive Officer shall select an officer who is a member of the Board of Directors whenever such officer is available.

SECTION 3.03. POWERS OF OFFICERS AND MANAGEMENT STAFF. The Chief Executive Officer, the Chairman of the Board, the President, and those officers so designated and authorized by the Chief Executive Officer are authorized for an on behalf of the Bank, and to the extent permitted by law, to make loans and discounts; to purchase or acquire drafts, notes, stock, bonds, and other securities for investment of funds held by the Bank; to execute and purchase acceptances; to appoint, empower and direct all necessary agents and attorneys; to sign and give any notice required to be given; to demand payment and/or to declare due for any default any debt or obligation due or payable to the Bank upon demand or authorized to be declared due; to foreclose any mortgages, to exercise any option, privilege or election to forfeit, terminate, extend or renew any lease; to authorize and direct any proceedings for the collection of any money or for the enforcement

of any right or obligation; to adjust, settle and compromise all claims of every kind and description in favor of or against the Bank, and to give receipts, releases and discharges therefor; to borrow money and in connection therewith to make, execute and deliver notes, bonds or other evidences of indebtedness; to pledge or hypothe- cate any securities or any stocks, bonds, notes or any property real or personal held or owned by the Bank, or to rediscount any notes or other obligations held or owned by the Bank, to employ or direct the employment of all personnel, including elected and appointed officers, and the dismissal of them at pleasure, and in furtherance of and in addition to the powers hereinabove set forth to do all such acts and to take all such proceedings as in his judgment are necessary and incidental to the operation of the Bank.

Other persons in the employment of the Bank, including but not limited to officers and other members of the management staff, may be authorized by the Chief Executive Officer, or by an officer so designated and authorized by the chief Executive Officer, to perform the powers set forth above, subject, however, to such limitations and conditions as are set forth in the authorization given to such persons.

SECTION 3.04. SECRETARY. The Secretary or such other officers as may be designated by the Chief Executive Officer shall have supervision and control of the records of the Bank and, subject to the direction of the Chief Executive Officer, shall undertake other duties and functions usually performed by a corporate secretary. Other officers may be designated by the Chief Executive Officer or the Board of Directors as Assistant Secretary to perform the duties of the Secretary.

SECTION 3.05. EXECUTION OF DOCUMENTS. The Chief Executive Officer, Chairman of the Board, President, any officer being a member of the Bank's management staff who is also a person in charge of and responsible for any department within the Bank and any other officer to the extent such officer is so designated and authorized by the Chief Executive Officer, the Chairman of the Board, the President, or any other officer who is a member of the Bank's management staff who is in charge of and responsible for any department within the

Bank, are hereby authorized on behalf of the Bank to sell, assign, lease, mortgage, transfer, deliver and convey any real or personal property now or hereafter owned by or standing in the name of the Bank or its nominee, or held by this Bank as collateral security, and to execute and deliver such deeds, contracts, leases, assignments, bills of sale, transfers or other papers or documents as may be appropriate in the circumstances; to execute any loan agreement, security agreement, commitment letters and financing statements and

other documents on behalf of the Bank as a lender; to execute purchase orders, documents and agreements entered into by the Bank in the ordinary course of business, relating to purchase, sale, exchange or lease of services, tangible personal property, materials and equipment for the use of the Bank; to execute powers of attorney to perform specific or general functions in the name of or on behalf of the Bank; to execute promissory notes or other instruments evidencing debt of the Bank; to execute instruments pledging or releasing securities for public funds, documents submitting public fund bids on behalf of the Bank and public fund contracts; to purchase and acquire any real or personal property including loan portfolios and to execute and deliver such agreements, contracts or other papers or documents as may be appropriate in the circumstances; to execute any indemnity and fidelity bonds, proxies or other papers or documents of like or different character necessary, desirable or incidental to the conduct of its banking business; to execute and deliver settlement agreements or other papers or documents as may be appropriate in connection with a dismissal authorized by Section 3.01(c) of these By-laws; to execute agreements, instruments, documents, contracts or other papers of like or difference character necessary, desirable or incidental to the conduct of its banking business; and to execute and deliver partial releases from and discharges or assignments of mortgages, financing statements and assignments or surrender of insurance policies, now or hereafter held by this Bank.

The Chief Executive Officer, Chairman of the Board, President, any officer being a member of the Bank's management staff who is also a person in charge of and responsible for any department within the Bank, and any other officer of the Bank so designated and authorized by the Chief Executive Officer, Chairman of the Board, President or any officer who is a member of the Bank's management staff who is in charge of and responsible for any department within the Bank are authorized for and

on behalf of the Bank to sign and issue checks, drafts, and certificates of deposit; to sign and endorse bills of exchange, to sign and countersign foreign and domestic letters of credit, to receive and receipt for payments of principal, interest, dividends, rents, fees and payments of every kind and description paid to the Bank, to sign receipts for property acquired by or entrusted to the Bank, to guarantee the genuineness of signatures on assignments of stocks, bonds or other securities, to sign certifications of checks, to endorse and deliver checks, drafts, warrants, bills, notes, certificates of deposit and acceptances in all business transactions of the Bank.

Other persons in the employment of the Bank and of its subsidiaries, including but not limited to officers and other members of the management staff, may be authorized by the Chief Executive Officer, Chairman of the Board, President or by an officer so designated by the Chief Executive Officer, Chairman of the Board, or President to perform the acts and to execute the documents set forth above, subject, however, to such limitations and conditions as are contained in the authorization given to such person.

SECTION 3.06. PERFORMANCE BOND. All officers and employees of the Bank shall be bonded for the honest and faithful performance of their duties for such amount as may be prescribed by the Board of Directors.

ARTICLE IV

TRUST DEPARTMENT

SECTION 4.01. TRUST DEPARTMENT. Pursuant to the fiduciary powers granted to this Bank under the provisions of Federal Law and Regulations of the Comptroller of the Currency, there shall be maintained a separate Trust Department of the Bank, which shall be operated in the manner specified herein.

SECTION 4.02. TRUST MANAGEMENT COMMITTEE. There shall be a standing Committee known as the Trust Management Committee, consisting of at least five members, a majority of whom shall not be officers of the Bank. The Committee shall consist of the Chairman of the Board who shall be Chairman of the Com- mittee, the President, and at least three other Directors appointed by the Board of Directors and who shall continue as members of the Committee until their successors are appointed. Any vacancy in the Trust Management Committee may be filled by the Board at any regular or special meeting. In the event of the absence of any member or members, such Committee may, in its discretion, appoint members of the Board to fill the place of such absent members to serve during

such absence. Three members of the Committee shall constitute a quorum. Any member of the Committee may be removed by the Board by a majority vote at any regular or special meeting of the Board. The Committee shall meet at such times as it may determine or at the call of the Chairman, or President or any two members thereof.

The Trust Management Committee, under the general direction of the Board of Directors, shall supervise the policy of the Trust Department which shall be formulated and executed in accordance with Law, Regulations of the Comptroller of the Currency, and sound fiduciary principles.

SECTION 4.03. TRUST EXAMINATION COMMITTEE. There shall be a standing Committee known as the Trust Examination Committee, consisting of three directors appointed by the Board of Directors and who shall continue as members of the committee until their successors are appointed. Such members shall not be active officers of the Bank. Two members of the Committee shall constitute a quorum. Any member of the Committee may be removed by the Board by a majority vote at any regular or special meeting of the Board. The Committee shall meet at such times as it may determine or at the call of two members thereof.

This Committee shall, at least once during each calendar year and within fifteen months of the last such audit, or at such other time(s) as may be required by Regulations of the Comptroller of the Currency, make suitable audits of the Trust Department or cause suitable audits to be made by auditors responsible only to the Board of Directors, and at such time shall ascertain whether the Department has been administered in accordance with Law, Regulations of the Comptroller of the Currency and sound fiduciary principles.

The Committee shall promptly make a full report of such audits in writing to the Board of Directors of the Bank, together with a recommendation as to what action, if any, may be necessary to correct any unsatisfactory condition. A report of the audits together with the action taken thereon shall be noted in the Minutes of the Board of Directors and such report shall be a part of the records of this Bank.

SECTION 4.04. MANAGEMENT. The Trust Department shall be under the management and supervision of an officer of the Bank or of the trust affiliate of the Bank designated by and subject to the advice and direction of the Chief Executive Officer. Such officer having supervisory responsibility over the Trust Department shall do or cause to be done all things necessary or proper in carrying on the business of the Trust Department in accordance with provisions of law and applicable regulations.

SECTION 4.05. HOLDING OF PROPERTY. Property held by the Trust Department may be carried in the name of the Bank in its fiduciary capacity, in the name of Bank, or in the name of a nominee or nominees.

SECTION 4.06. TRUST INVESTMENTS. Funds held by the Bank in a fiduciary capacity awaiting investment or distribution shall not be held uninvested or undistributed any longer than is reasonable for the proper management of the account and shall be invested in accordance with the instrument establishing a fiduciary relationship and local law. Where such instrument does not specify the character or class of investments to be made and does not vest in the Bank any discretion in the matter, funds held pursuant to such instrument shall be invested in any investment which corporate fiduciaries may invest under local law.

The investments of each account in the Trust Department shall be kept separate from the assets of the Bank, and shall be placed in the joint custody or control of not less than two of the officers or employees of the Bank or of the trust affiliate of the Bank designated for the purpose by the Trust Management Committee.

SECTION 4.07. EXECUTION OF DOCUMENTS. The Chief Executive Officer, Chairman of the Board, President, any officer of the Trust Department, and such other officers of the trust affiliate of the Bank as are specifically designated and authorized by the Chief Executive Officer, the President, or the officer in charge of the Trust Department, are hereby authorized, on behalf of this Bank, to sell, assign, lease, mortgage, transfer, deliver and convey any real property

or personal property and to purchase and acquire any real or personal property and to execute and deliver such agreements, contracts, or other papers and documents as may be appropriate in the circumstances for property now or hereafter owned by or standing in the name of this Bank, or its nominee, in any fiduciary capacity, or in the name of any principal for whom this Bank may now or hereafter be acting under a power of attorney, or as agent and to execute and deliver partial releases from

any discharges or assignments or mortgages and assignments or surrender of insurance policies, to execute and deliver deeds, contracts, leases, assignments, bills of sale, transfers or such other papers or documents as may be appropriate in the circumstances for property now or hereafter held by this Bank in any fiduciary capacity or owned by any principal for whom this Bank may now or hereafter be acting under a power of attorney or as agent; to execute and deliver settlement agreements or other papers or documents as may be appropriate in connection with a dismissal authorized by Section 3.01(c) of these By-laws; provided that the signature of any such person shall be attested in each case by any officer of the Trust Department or by any other person who is specifically authorized by the Chief Executive Officer, the President or the officer in charge of the Trust Department.

The Chief Executive Officer, Chairman of the Board, President, any officer of the Trust Department and such other officers of the trust affiliate of the Bank as are specifically designated and authorized by the Chief Executive Officer, the President, or the officer in charge of the Trust Department, or any other person or corporation as is specifically authorized by the Chief Executive Officer, the President or the officer in charge of the Trust Department, are hereby authorized on behalf of this Bank, to sign any and all pleadings and papers in probate and other court proceedings, to execute any indemnity and fidelity bonds, trust agreements, proxies or other papers or documents of like or different character necessary, desirable or incidental to the appointment of the Bank in any fiduciary capacity and the conduct of its business in any fiduciary capacity; also to foreclose any mortgage, to execute and deliver receipts for payments of principal, interest, dividends, rents, fees and payments of every kind and description paid to the Bank; to sign receipts for property acquired or entrusted to the Bank; also to sign stock or bond certificates on behalf of this Bank in any fiduciary capacity and on behalf of this Bank as transfer agent or registrar; to guarantee the genuineness of signatures on assignments of stocks, bonds or other securities, and to authenticate bonds, debentures, land or lease trust certificates or other forms of security issued pursuant to any indenture under which this Bank now or hereafter is acting as

Trustee. Any such person, as well as such other persons as are specifically authorized by the Chief Executive Officer or the officer in charge of the Trust Department, may sign checks, drafts and orders for the payment of money executed by the Trust Department in the course of its business.

SECTION 4.08. VOTING OF STOCK. The Chairman of the Board, President, any officer of the Trust Department, any officer of the trust affiliate of the Bank and such other persons as may be specifically authorized by Resolution of the Trust Management Committee or the Board of Directors, may vote shares of stock of a corporation of record on the books of the issuing company in the name of the Bank or in the name of the Bank as fiduciary, or may grant proxies for the voting of such stock of the granting if same is permitted by the instrument under which the Bank is acting in a fiduciary capacity, or by the law applicable to such fiduciary account. In the case of shares of stock which are held by a nominee of the Bank, such shares may be voted by such person(s) authorized by such nominee.

ARTICLE V

STOCKS AND STOCK CERTIFICATES

SECTION 5.01. STOCK CERTIFICATES. The shares of stock of the Bank shall be evidenced by certificates which shall bear the signature of the Chairman of the Board, the President, or a Vice President (which signature may be engraved, printed or impressed), and shall be signed manually by the Secretary, or any other officer appointed by the Chief Executive Officer for that purpose.

In case any such officer who has signed or whose facsimile signature has been placed upon such certificate shall have ceased to be such before such certificate is issued, it may be issued by the Bank with the same effect as if such officer had not ceased to be such at the time of its issue. Each such certificate shall bear the corporate seal of the Bank, shall recite on its fact that the stock represented thereby is transferable only upon the books of the Bank properly endorsed and shall recite such other information as is required by law and deemed appropriate by the Board. The corporate seal may be facsimile engraved or printed.

SECTION 5.02. STOCK ISSUE AND TRANSFER. The shares of stock of the Bank shall be transferable only upon the stock transfer books of the Bank and except as hereinafter provided, no transfer shall be made or new certificates issued except upon the surrender for cancellation of the certificate or certificates previously issued therefor. In the case of the loss, theft, or destruction of any certificate, a new certificate may be issued in place of such certificate upon the furnishing of any affidavit setting forth the circumstances of such loss, theft, or destruction and indemnity satisfactory to the Chairman of the Board, the President, or a Vice President. The Board of Directors, or the Chief Executive Officer, may authorize the issuance of a new certificate therefor without the furnishing of indemnity. Stock Transfer Books, in which all transfers of stock shall be recorded, shall be provided.

The stock transfer books may be closed for a reasonable period and under such conditions as the Board of Directors may at any time determine for any meeting of shareholders, the payment of dividends or any other lawful purpose. In lieu of closing the transfer books, the Board may, in its discretion, fix a record date and hour constituting a reasonable period prior to the day designated for the holding of any meeting of the shareholders or the day appointed for the payment of any dividend or for any other purpose at the time as of which shareholders entitled to notice of and to vote at any such meeting or to receive such dividend or to be treated as shareholders for such other purpose shall be determined, and only shareholders of record at such time shall be entitled to notice of or to vote at such meeting or to receive such dividends or to be treated as shareholders for such other purpose.

ARTICLE VI

MISCELLANEOUS PROVISIONS

SECTION 6.01. SEAL. The impression made below is an impression of the seal adopted by the Board of Directors of BANK ONE, NA f/k/a Bank One, Columbus, NA. The Seal may be affixed by any officer of the Bank to any document executed by an authorized officer on behalf of the Bank, and any officer may certify any act, proceedings, record, instrument or authority of the Bank.

SECTION 6.02. BANKING HOURS. Subject to ratification by the Executive Committee, the Bank and each of its Branches shall be open for business on such days and during such hours as the Chief Executive Officer of the Bank shall, from time to time, prescribe.

SECTION 6.03. MINUTE BOOK. The organization papers of this Bank, the Articles of Association, the returns of the judges of elections, the By-Laws and any amendments thereto, the proceedings of all regular and special meetings of the shareholders and of the Board of Directors, and reports of the committees of the Board of Directors shall be recorded in the minute book of the Bank. The minutes of each such meeting shall be signed by the presiding Officer and attested by the secretary of the meetings.

SECTION 6.04. AMENDMENT OF BY-LAWS. These By-Laws may be amended by vote of a majority of the Directors.

EXHIBIT 6

Securities and Exchange Commission

Washington, D.C. 20549

CONSENT

The undersigned, designated to act as Trustee under the Indenture for Madison Gas and Electric Company described in the attached Statement of Eligibility and Qualification, does hereby consent that reports of examinations by Federal, State, Territorial, or District Authorities may be furnished by such authorities to the Commission upon the request of the Commission.

This Consent is given pursuant to the provision of Section 321(b) of the Trust Indenture Act of 1939, as amended.

Bank One, NA

Dated: July 22, 1998 By: /s/ David Knox

Authorized Signer

[LETTERHEAD]

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL

[LOGO]

Please refer to page 1, Table of Contents, for the required disclosure of estimated burden. 1

CONSOLIDATED REPORTS OF CONDITION AND INCOME FOR A BANK WITH DOMESTIC AND FOREIGN OFFICES -- FFIEC 031

REPORT AT THE CLOSE OF BUSINESS MARCH 31, 1998

(980331)

(RCRI 9999)

This report is required by law: 12. U.S.C. Section 324 (State member banks); 12 U.S.C. Section 1817 (State nonmember banks); and 12 U.S.C. Section 161 (National banks).

This report form is to be filed by banks with branches and consolidated subsidiaries in U.S. territories and possessions, Edge or Agreement subsidiaries, foreign branches, consolidated foreign subsidiaries, or International Banking Facilities.

NOTE: The Reports of Condition and Income must be signed by an authorized officer and the Report of Condition must be attested to by not less than two directors (trustees) for State nonmember banks and three directors for State member and National banks.

I, C. William Willen, Vice-President

Name and Title of Officer Authorized to Sign Report

of the named bank do hereby declare that the Reports of Condition and Income (including the supporting schedules) for this report date have been prepared in conformance with the instructions issued by the appropriate Federal regulatory authority and are true to the best of my knowledge and belief.

/s/ C. William Willen

Signature of Officer Authorized to Sign Report

April 30, 1998

Date of Signature

The Reports of Condition and Income are to be prepared in accordance with Federal regulatory authority instructions.

We, the undersigned directors (trustees), attest to the correctness of the Report of Condition (including the supporting schedules) for this report date and declare that it has been examined by us and to the best of our knowledge and belief has been prepared in conformance with the instructions issued by the appropriate Federal regulatory authority and is true and correct.

/s/ Frederick L. Cullen

Director (Trustee)

/s/ David P. Lauer

Director (Trustee)

/s/ William M. Bennett

Director (Trustee)

SUBMISSION OF REPORTS

Each bank must prepare its Reports of Condition and Income either:

(a) in electronic form and then file the computer data file directly with the banking agencies' collection agent, Electronic Data Systems Corporation (EDS), by modem or on computer diskette; or

(b) in hard-copy (paper) form and arrange for another party to convert the paper report to electronic form. That party (if other than EDS) must transmit the bank's computer data file to EDS.

To fulfill the signature and attestation requirement for the Reports of Condition and Income for this report date, attach this signature page to the hard-copy record of the completed report that the bank places in its files.

FDIC Certificate Number

(RCRI 9999)

CALL NO. 203 01 03 31 98

STEK: 39-1580 00099 STCERT: 39-06559

BANK ONE, NATIONAL ASSOCIATION
100 EAST BROAD STREET, OH1-0121
COLUMBUS, OH 43271

Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency

[LETTERHEAD] 12

SCHEDULE RC - CONTINUED

<TABLE>
<CAPTION>

								Dollar Amounts in Thousands
LIABILITIES								
<S>			<C>	<C>		<C>		<C>
13. DEPOSITS:								
a. In domestic offices (sum of totals of columns A and C from schedule						RCON		

RC-E, part I)	RCON		2200	15,013,853	13.a
(1) Noninterest-bearing(1)	6631	3,550,812			13.a.1
(2) Interest-bearing	6638	11,463,041			13.a.2
b. In foreign offices, Edge and Agreement subsidiaries, and IBFs (from			RCFN		
Schedule RC-E, part II)	RCFN		2200	1,251,180	13.b
(1) Noninterest-bearing	6831	0			13.b1
(2) Interest-bearing	6836	1,251,180	RCFD		13.b2
14. Federal funds purchased and securities sold under agreements to repurchase			2800	1,932,651	14
			RCON		
15. a. Demand notes issued to the U.S. Treasury			2840	48,512	15.a
b. Trading liabilities (from Schedule RC-D)			3548	0	15.b
16. Other borrowed money (includes mortgage indebtedness an obligations under capitalized leases):					
a. With a remaining maturity of one year or less			2332	1,416,753	16.a
b. With a remaining maturity of more than one year through three years			A547	470,997	16.b
c. With a remaining maturity of more than three years			A548	839,840	16.c
17. Not applicable					
18. Bank's liability on acceptances executed and outstanding			2920	3,827	18
19. Subordinated notes and debentures(2)			3200	729,193	19
20. Other liabilities (from Schedule RC-G)			2930	1,038,774	20
21. Total liablities (sum of items 13 through 20)			2948	22,544,580	21
22. Not applicable					
EQUITY CAPITAL					
23. Perpetual stock and related surplus			3838	0	23
24. Common stock			3230	127,043	24
25. Surplus (exlcude all surplus related to preferred stock)			3839	738,352	25
26. a. Undivided profits and capital reserves			3832	1,082,183	26.a
b. Net unrealized holding gains (losses) on available-for-sale securities			3434	16,872	26.b
27. Cumulative foreign currency translation adjustments			3284	0	27
28. Total equity capital (sum of lines 23 through 27)			3210	1,964,450	28
29. Total liabilities and equity captial (sum of items 21 and 28)			3300	24,509,030	29
MEMORANDUM					
TO BE REPORTED ONLY WITH THE MARCH REPORT OF CONDITION.					
1. Indicate in the box at the right the number of the statement below that best describes the most comprehensive level of auditing work performed for the bank by independent external auditors as of any date during 1997			RCFD 6724	NUMBER N/A	M.1

</TABLE>

1 = Independent audit of the bank conducted in accordance with generally accepted auditing standards by a certified public accounting firm which submits a report on the bank

2 = Independent audit of the bank's parent holding company conducted in accordance with generally accepted auditing standards by a certified public accounting firm which submits a report on the consolidated holding company (but not on the bank separately)

3 = Directors' examination of the bank conducted in accordance with generally accepted auditing standards by a certified public accounting firm (may be

required by state chartering authority)

4 = Directors' examination of the bank performed by other external auditors (may be required by state chartering authority)

5 = Review of the bank's financial statements by external auditors

6 = Compilation of the bank's financial statments by external auditors

7 = Other audit procedures (excluding tax preperation work)

8 = No external audit work

---

1) Includes total demand deposits and noninterest-bearing time and savings deposits.
2) Includes limited-life preferred stock and related surplus.

[LETTERHEAD]

CONSOLIDATED REPORT OF CONDITION FOR INSURED COMMERCIAL AND STATE-CHARTERED SAVINGS BANKS FOR MARCH 31, 1998 11

All schedules are to be reported in thousands of dollars. Unless otherwise indicated, report the amount outstanding as of the last business day of the quarter.

SCHEDULE RC - BALANCE SHEET

<TABLE>
<CAPTION>

C400

			Dollar Amounts in Thousands		
ASSETS					
<S>	<C>	<C>	<C>	<C>	<C>
1. Cash and balances due from depository institutions (from Schedule RC-A):			RCFD		
a. Noninterest-bearing balances and currency and coin (1)			0081	1,108,408	1.a
b. Interest-bearing balances (2)			0071	1,100	1.b
2. Securities					
a. Held-to-maturity securities (from Schedule RC-B, column A)			1754	153,124	2.a
b. Available-for-sale securities (from Schedule RC-B, column D)			1773	2,285,146	2.b
3. Federal funds sold and securities purchased under agreements to resell			1350	0	3
4. Loans and lease financing receivables:	RCFD				
a. Loans and leases, net of unearned income (from Schedule RC-C)	2122	18,887,996			4.a
b. LESS: Allowance for loan and lease losses	3123	422,079			4.b
c. LESS: Allocated transfer risk reserve	3128	0			4.c
d. Loans and leases, net of unearned income,			RCFD		
allowance, and reserve (item 4.a minus 4.b and 4.c)			2125	18,465,917	4.d
5. Trading assets (from Schedule RC-D)			3545	0	5.
6. Premises and fixed assets (including capitalized leases)			2145	194,830	6.
7. Other real estate owned (from Schedule RC-M)			2150	9,427	7.
8. Investments in unconsolidated subsidiaries and associated companies (from Schedule RC-M)			2130	39,238	8.
9. Customers' liability to this bank on acceptances outstanding			2155	3,827	9.
10. Intangible assets (from Schedule RC-M)			2143	140,696	10.
11. Other assets (from Schedule RC-F)			2160	2,107,317	11.

12. Total assets (sum of items 1 through 11)	2170	24,509,030	12.

</TABLE>

---

(1) Includes cash items in process of collection and unposted debits.
(2) Includes time certificates of deposit not held for trading.