SECURITIES AND EXCHANGE COMMISSION

FORM S-3/A

Registration statement for specified transactions by certain issuers [amend]

Filing Date: **1994-03-18**
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FILER

CALIFORNIA ENERGY CO INC

CIK:**720556**| IRS No.: **942213782** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **S-3/A** | Act: **33** | File No.: **033-52439** | Film No.: **94516734**
SIC: **4961** Steam & air-conditioning supply

Mailing Address
10831 OLD MILL ROAD
OMAHA NE 68154

Business Address
10831 OLD MILL RD STE 900
OMAHA NE 68154
4023308900

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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MARCH 18, 1994

REGISTRATION NO. 33-52439

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 2
TO
FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

CALIFORNIA ENERGY COMPANY, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	94-2213782
(STATE OR OTHER JURISDICTION OF INCORPORATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

10831 OLD MILL ROAD
OMAHA, NEBRASKA 68154
(402) 330-8900
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

STEVEN A. MCARTHUR, ESQ.
SENIOR VICE PRESIDENT, GENERAL COUNSEL AND SECRETARY
CALIFORNIA ENERGY COMPANY, INC.
10831 OLD MILL ROAD
OMAHA, NEBRASKA 68154
(402) 330-8900
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

WITH A COPY TO:

PETER J. HANLON, ESQ.	STACY J. KANTER, ESQ.
WILLKIE FARR & GALLAGHER	SKADDEN, ARPS, SLATE, MEAGHER & FLOM
ONE CITICORP CENTER	919 THIRD AVENUE
153 EAST 53RD STREET	NEW YORK, NEW YORK 10022
NEW YORK, NEW YORK 10022	(212) 735-3000
(212) 821-8000	

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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after the effective date of this Registration Statement.

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. [ ]

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 THAT 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.

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+THE 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 JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE +
+WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES +
+LAWS OF ANY SUCH JURISDICTION. +
+++

Subject To Completion, Dated March 18, 1994

PROSPECTUS

[ART]

$

CALIFORNIA ENERGY COMPANY, INC.

% SENIOR DISCOUNT NOTES DUE 2004

The issue price of the % Senior Discount Notes due 2004 (the "Notes") being offered hereby (the "Offering") by California Energy Company, Inc. (the "Company") will be $ per $1,000 principal amount at maturity (the "Issue Price") (% of the principal amount at maturity). The Notes will be offered at a substantial discount from their principal amount and will provide gross

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proceeds of approximately $400,000,000 to the Company. The Notes will mature on January 15, 2004. The Issue Price of each Note represents a yield to maturity of % (computed on a semi-annual bond equivalent basis) calculated from , 1994. Cash interest will not accrue on the Notes prior to January 15, 1997. Commencing July 15, 1997, cash interest on the Notes will be payable on January 15 and July 15 of each year at a rate of % per annum. See "Description of the Notes" and "Certain Federal Income Tax Considerations."

The Notes will be redeemable, at the option of the Company, at any time, in whole or in part, on or after January 15, 1999, at the redemption prices set forth herein, plus accrued and unpaid interest, if any, to the date of redemption. See "Description of the Notes--Optional Redemption." In addition, in the event of a Change of Control (as defined), each holder of the Notes (a "Holder") will have the right to require the Company to repurchase all or any part of such Holder's Notes at a repurchase price equal to 101% of the Accreted Value (as defined) thereof, plus accrued and unpaid interest, if any, to the date of repurchase. See "Description of the Notes--Certain Covenants--Purchase of Notes Upon a Change of Control."

The Notes will be senior unsecured obligations of the Company ranking pari passu in right of payment of principal and interest with all other existing and future senior unsecured obligations of the Company and will rank senior to all other existing and future subordinated debt of the Company. The provisions of the indenture pursuant to which the Notes will be issued will permit the Company's subsidiaries, and certain joint ventures in which the Company will own a significant interest, to incur substantial indebtedness which would be effectively senior to the Notes.

SEE "INVESTMENT CONSIDERATIONS" FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY PROSPECTIVE PURCHASERS OF THE NOTES.

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

<TABLE>
<CAPTION>

	Principal Amount at Maturity	Price to Public(1)	Underwriting Discount(2)	Proceeds to Company(3)
<S>	<C>	<C>	<C>	<C>
Per Note.....	100.0%	%	%	%
Total.....	$	$	$	$

</TABLE>

(1) Plus accrued original issue discount, if any, from , 1994.
(2) The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriting."
(3) Before deducting expenses payable by the Company estimated at $.

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The Notes offered by this Prospectus are offered by the Underwriters subject to prior sale, withdrawal, cancellation or modification of the offer without notice, to delivery to and acceptance by the Underwriters and to certain other conditions. It is expected that the Notes will be delivered through the facilities of The Depository Trust Company, on or about March , 1994.

LEHMAN BROTHERS
SALOMON BROTHERS INC
DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION
BEAR, STEARNS & CO. INC.

March , 1994

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED IN THE OVER-THE-COUNTER MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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"). Such reports, proxy statements and other information filed by the Company with the Commission can be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the following regional offices of the Commission located at Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661 and Seven World Trade Center, 13th Floor, New York, New York 10048. Copies of such materials can be obtained from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. Such reports, proxy statements and other information can also be inspected at the offices of the New York Stock Exchange at 20 Broad Street, New York, New York 10005, and at the offices of the Pacific Stock Exchange at 301 Pine Street, San Francisco, California 94104 and 233 South Beaudry Avenue, Los Angeles, California 90012, on which the Company's common stock is listed and traded.

The Company has filed with the Commission a Registration Statement on Form S-3 (which, together with all amendments and exhibits thereto, is referred to herein as the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the Notes offered hereby. This Prospectus does not contain all information set forth in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the Commission. For further information with respect to the Company and the Notes offered hereby, reference is made to the Registration Statement, including the exhibits filed or incorporated by reference as a part thereof. Statements contained herein concerning the provisions of documents filed with, or incorporated by reference in, the Registration Statement as exhibits are necessarily summaries of such documents and each such statement is qualified in its entirety by reference to the copy of the applicable documents filed with the Commission.

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The Company's principal executive offices are located at 10831 Old Mill Road, Omaha, Nebraska 68154, and its telephone number is (402) 330-8900. The Company was incorporated in 1971 under the laws of the State of Delaware.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents filed by the Company with the Commission pursuant to the Exchange Act are hereby incorporated by reference to File No. 1-9874:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1992.

2. The Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 1993, June 30, 1993 and September 30, 1993.

3. The Company's Current Reports on Form 8-K dated April 6, 1993, April 20, 1993, May 3, 1993, June 18, 1993, June 29, 1993, August 12, 1993, September 28, 1993, November 1, 1993 and December 1, 1993.

4. The Company's Registration Statement on Form 8-A dated July 28, 1993.

All documents filed by the Company pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act prior to the termination of the Offering shall be deemed to be incorporated by reference herein and to be a part hereof from the date of the filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is incorporated or deemed to be incorporated by reference herein 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 this Prospectus.

The Company hereby undertakes to provide without charge to each person to whom this Prospectus is delivered, on the written or oral request of such person, a copy of any and all of the documents incorporated by reference in this Prospectus (other than exhibits to such documents, unless such exhibits are specifically incorporated by reference into the documents that this Prospectus incorporates). Written or oral requests for such copies should be directed to the Chief Financial Officer, California Energy Company, Inc., 10831 Old Mill Road, Omaha, Nebraska 68154, telephone number (402) 330-8900.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial statements, including the notes thereto, appearing elsewhere in this Prospectus. Certain capitalized terms used but not defined in this summary are used herein as defined elsewhere in this Prospectus.

THE COMPANY

California Energy Company, Inc. (the "Company"), together with its subsidiaries, is primarily engaged in the exploration for and development of

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geothermal resources and the development, ownership and operation of environmentally responsible independent power production facilities worldwide utilizing geothermal resources or other energy sources, such as hydroelectric, natural gas, oil and coal. The Company was an early participant in the domestic independent power market and is now one of the largest geothermal power producers in the United States. The Company is also actively pursuing opportunities in the international independent power market. In the year ended December 31, 1993, the Company had revenues of $149.3 million, net income of $47.2 million, and as of that date, cash and investments at the Company level of $127.8 million. Peter Kiewit Sons', Inc. ("Kiewit") is a 36.6% stockholder (on a fully-diluted basis) in the Company and a participant in certain of the Company's international private power projects.

Through its subsidiaries, the Company currently has significant ownership interests in, and operates, four geothermal facilities that are qualified facilities under the Public Utility Regulatory Policies Act of 1978 ("PURPA"), which requires electric utilities to purchase electricity from qualified independent power producers.

THE COSO PROJECT

Three of the Company's geothermal facilities, located together at the Naval Weapons Center at China Lake, California (collectively, the "Coso Project"), have an aggregate generating capacity of approximately 240 megawatts ("MW"). The Company is the managing general partner, operator and owner of an approximately 50% interest in the Coso Project, which currently constitutes the Company's primary source of revenues. Electricity generated by the Coso Project is sold pursuant to three long-term "Standard Offer No. 4" contracts (the "SO4 Agreements") to Southern California Edison Company ("SCE"). In 1993, the Coso Project achieved record MW production results and received the maximum level of capacity and capacity bonus payments under the S04 Agreements.

OTHER DOMESTIC OPERATIONS AND DEVELOPMENT OPPORTUNITIES

The Company also owns and operates a 10 MW geothermal power plant located at Desert Peak, Nevada, which is a qualified facility that sells power to Sierra Pacific Power Company, and operates and owns a 70% interest in a geothermal steam field at Roosevelt Hot Springs, Utah, which supplies 25 MW of geothermal steam to Utah Power & Light Company under a 30-year steam sales contract. Pursuant to a memorandum of understanding, the Company has commenced early stage site work on a proposed 30 MW geothermal project at Newberry, Oregon (the "Newberry Project"), which is expected to be completed in early 1997 and to be wholly owned and operated by the Company.

Domestically, the Company plans to focus on developing and operating geothermal power projects, an area in which the Company believes it has a competitive advantage due to its geotechnical and project management expertise and extensive geothermal leaseholdings. The Company intends to continue to pursue geothermal opportunities in the Pacific Northwest where it has extensive geothermal leaseholdings. In addition, the Company has diversified into other environmentally responsible sources of power generation. The Company is currently constructing a 50 MW natural gas fired cogeneration project in Yuma, Arizona (the "Yuma Project"), which is expected to be wholly owned by the Company and to sell electricity to San Diego Gas & Electric Company ("SDG&E") under a 30-year power sales contract. The Company anticipates that this project will be completed by mid-year 1994. The Company expects future diversification through the selective acquisition of partially developed or existing power generating projects and intends to maintain a significant equity interest in, and to operate, the projects which it develops or acquires.

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INTERNATIONAL PROJECTS AND DEVELOPMENT OPPORTUNITIES

The Company presently believes that the international independent power market holds the majority of new opportunities for financially attractive private power development in the next several years. The Company is actively pursuing selected opportunities in nations where power demand is high and the Company's geothermal resource development and operating experience, project development expertise and strategic relationships are expected to provide it with a competitive advantage. The Company believes that the opportunities to successfully develop, construct, finance, own and operate international power projects are increasing as several countries have initiated the privatization of their power generation capacity and have solicited bids from foreign developers to purchase existing generating facilities or to develop new capacity. Some of these countries, such as the Philippines and Indonesia, also have extensive geothermal resources.

The Company has recently entered into international joint venture agreements with Kiewit and Distral S.A. ("Distral"), two firms with significant power plant construction experience, in an effort to augment and accelerate the Company's capabilities in foreign energy markets. Joint venture activities with Distral will be conducted in South America, Central America and the Caribbean and joint venture activities with Kiewit will be conducted in Asia, in particular the Philippines and Indonesia, and in other regions not covered by the Distral joint venture agreement. See "Business--International Projects and Development Opportunities--International Joint Venture Agreements." To better position itself to pursue international project development opportunities in the Asian market, the Company recently established an office in Singapore to oversee its activities in that region, including the Philippines and Indonesia.

THE PHILIPPINES

The Company has obtained "take-or-pay" power sales contracts for two geothermal power projects in the Philippines aggregating approximately 300 MW in capacity. The Upper Mahiao Project, a 120 MW geothermal facility with an estimated total project cost of approximately $226 million, is expected to be constructed on the island of Leyte and will be over 95% owned and operated by the Company. A syndicate of international banks is expected to provide an approximately $170 million project finance construction loan for the project. The Company expects that a portion of the proceeds of the Offering will be used to provide all or part of its approximately $56 million equity commitment to such project. The Export-Import Bank of the United States ("ExIm Bank") is expected to provide the term loan that would be used to refinance the construction loan for this project, as well as political risk insurance to the syndicate of commercial banks for the construction loan. The Company intends to arrange for similar insurance on its equity investment through the Overseas Private Investment Corporation ("OPIC") or from other governmental agencies or commercial sources. The Company expects that both the construction and term loan agreements for the Upper Mahiao Project will be executed in April 1994 and that the notice to proceed will be issued promptly thereafter under the construction contract, which was executed in January 1994. Commercial operation of this project is presently scheduled for mid-year 1996.

The Mahanagdong Project, a proposed 180 MW geothermal project with an anticipated total project cost of approximately $310 million, is expected to be operated by the Company and owned 45% by the Company, 45% by Kiewit and up to 10% by another industrial company. The Company intends to use a portion of the

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proceeds of the Offering to fund all or part of its approximately $40 million equity investment to the Mahanagdong Project, and to obtain political risk insurance on its investment similar to that for the Upper Mahiao Project. The Company is in the process of arranging construction financing for this project from a syndicate of international banks on terms similar to those of the Upper Mahiao construction loan. Such construction financing documentation is expected to be executed by the end of the second quarter of 1994. The Company may use a portion of the proceeds of the Offering to fund all or part of the approximately $225 million in construction costs for the Project. The construction financing is expected to close in mid-year 1994, with commercial operation presently scheduled for mid-year 1997. See "Business--International Projects and Development Opportunities--The Philippines."

INDONESIA

The Company has been awarded the geothermal development rights to three geothermal fields in Indonesia at Dieng, Patuha and Lampung/South Sumatra, the initial phases of which could aggregate an additional generating capacity of 500 MW. The Company is currently negotiating power sales contracts for these projects in Indonesia and, should such negotiations be successful and such projects proceed, the Company intends to utilize a portion of the proceeds of the Offering to fund equity investments and/or construction loans to these projects. See "Business--International Projects and Development Opportunities--Indonesia."

USE OF PROCEEDS

The Company intends to use the net proceeds from the Offering (i) to fund equity investments in, and the construction costs of, geothermal power projects presently planned in the Philippines and Indonesia, (ii) to fund equity investments in, and loans to, other potential international and domestic private power projects and related facilities, (iii) for corporate or project acquisitions permitted under the Indenture governing the Notes and (iv) for general corporate purposes. As project loans are repaid, the Company may use the proceeds again for any of such permitted uses. See "Use of Proceeds."

THE OFFERING

Notes Offered.....	$ principal amount at maturity of % Senior Discount Notes due 2004 (the "Notes")
Issue Price.....	$ per $1,000 principal amount at maturity (or % of the principal amount at maturity)
Gross Proceeds.....	$400,000,000
Maturity Date.....	January 15, 2004
Yield and Interest.....	% per annum (computed on a semi-annual bond equivalent basis) calculated from , 1994. No cash interest will accrue on the Notes prior to January 15, 1997. Commencing January 15, 1997, interest on the Notes will accrue at the rate of % per annum and will be payable in cash semi-

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	annually on January 15 and July 15, commencing on July 15, 1997 to holders of record on the immediately preceding January 1 and July 1. See "Description of the Notes--General."
Form and Registration..	The Notes may be represented by one or more Global Notes (the "Global Notes") registered in the name of The Depository Trust Company (the "Depositary") or its nominee. Beneficial interests in the Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by the Depositary and its participants. Except as provided herein, Notes in certificated form will not be issued. See "Description of the Notes--Global Notes."
NYSE Listing.....	The Notes have been approved for listing on the New York Stock Exchange, subject to official notice of issuance. See "Investment Considerations--No Prior Public Market; Possible Volatility of Note Price."
Optional Redemption.....	The Notes are redeemable at the option of the Company, in whole or in part, at any time on or after January 15, 1999 at the redemption prices set forth herein, plus accrued and unpaid interest, if any, to the date of redemption. See "Description of the Notes--Optional Redemption."
Change in Control.....	Upon the occurrence of a Change of Control, each Holder will have the right to require the Company to repurchase all or any part of such Holder's Notes at a purchase price in cash equal to 101% of the Accreted Value thereof on the date of repurchase, plus accrued and unpaid interest, if any, to the date of repurchase in accordance with the procedures set forth in the Indenture. See "Description of the Notes--Certain Covenants--Purchase of Notes Upon a Change of Control."
Ranking.....	The Notes will be senior unsecured obligations of the Company ranking pari passu in right of payment of principal and interest with all other existing and future senior unsecured obligations of the Company. The Company is a holding company that derives substantially all of its income from its operating subsidiaries and joint venture projects. The Indenture does not limit the amount of Non-Recourse Debt (as defined) which may be incurred by the Company or at the subsidiary or project level. Accordingly, the Notes will effectively be subordinated to any secured Non-Recourse Debt of the Company and to debt at the project or subsidiary level. The Notes will rank senior to all other existing and future subordinated indebtedness of the Company. As of

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	December 31, 1993, on a pro forma basis, after giving effect to the completion of this Offering and the Company's planned defeasance of its 12% Senior Notes with Contingent Interest due 1995 (the "Senior Notes"), the Company's total consolidated indebtedness (excluding deferred income and redeemable preferred stock), would have been $746.9 million, its total consolidated assets would have been $1,077.0 million and its stockholders' equity would have been $209.2 million.
Original Issue Discount.....	The Notes will be issued with "original issue discount" for federal income tax purposes. Thus, although cash interest will not accrue on the Notes prior to January 15, 1997, and there will be no periodic payments of interest on the Notes prior to July 15, 1997, original issue discount (that is, the difference between the stated redemption price at maturity and the issue price) will accrue from the issue date of the Notes to January 15, 1997 and will be includable as interest income periodically in a Holder's gross income for federal income tax purposes in advance of receipt of the cash payments to which the income is attributable. See "Certain Federal Income Tax Considerations."
Certain Covenants.....	The Indenture governing the Notes contains certain covenants which, among other things, will restrict the ability of the Company, its Restricted Subsidiaries (as defined) and its Eligible Joint Ventures (as defined) to incur additional Debt (as defined) (other than Non-Recourse Debt), to pay dividends and make certain other restricted payments, to encumber or sell assets, to enter into transactions with Affiliates (as defined), to enter into new lines of business, to make certain investments, to merge or consolidate with any other person or to transfer or lease assets. These covenants are described in detail below under the caption "Description of the Notes--Certain Covenants."
Events of Default.....	Events of Default under the Indenture include, among other things, (i) default in the payment of any interest on the Notes which continues for a period of 30 days, (ii) default in the payment of principal, or premium, if any, when due, including pursuant to a required repurchase, (iii) the failure by the Company to perform any covenant contained in the Indenture, which breach continues for 30 days after written notice thereof, (iv) the failure of the Company or any Significant Subsidiary (as defined) to pay when due beyond any applicable grace period, or the acceleration of, Debt (other than Non-Recourse Debt of Significant Subsidiaries) in excess of

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$25 million, (v) the entry by a court of one of more judgments against the Company or any Significant Subsidiary for an aggregate amount in excess of $25 million, subject to certain conditions, and (vi) the occurrence of certain events of bankruptcy, insolvency or reorganization. See "Description of the Notes--Events of Default."

SUMMARY SELECTED CONSOLIDATED HISTORICAL FINANCIAL AND OPERATING DATA

The following tables present summary selected consolidated historical financial and operating data of the Company as of and for the years ended December 31, 1989, 1990, 1991, 1992 and 1993. The financial data set forth below should be read in conjunction with the historical consolidated financial statements of the Company and the related notes thereto contained elsewhere in this Prospectus.

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,				
	1989	1990	1991	1992	1993
	(IN THOUSANDS, EXCEPT RATIOS AND PER SHARE AMOUNTS)				
<S>	<C>	<C>	<C>	<C>	<C>
STATEMENT OF OPERATIONS DATA:					
Revenues	$48,396	$96,813	$ 115,563	$ 127,529	$ 149,253
Income before depreciation, amortization, interest, income taxes, extraordinary item and cumulative effect of change in accounting principle	34,781	59,401	74,057	82,346	102,459
Income before extraordinary item and cumulative effect of change in accounting principle (1)	10,336	12,043	26,582	38,810	43,074
Net income (1)	10,336	12,043	26,582	33,819	47,174
Preferred dividends (paid in kind)	N/A	N/A	N/A	4,275	4,630
Net income available to common stockholders	10,336	12,043	26,582	29,544	42,544
Income per share before extraordinary item and cumulative effect of change in accounting principle (1)	.38	.44	.75	.92	1.00
Extraordinary item per share (2)	N/A	N/A	N/A	(.13)	N/A
Cumulative effect of change in accounting principle per share (3)	N/A	N/A	N/A	N/A	.11

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Net income per share.....	.38	.44	.75	.79	1.11
Weighted average shares outstanding (4).....	27,019	27,254	35,471	37,495	38,485
Ratio of earnings to fixed charges (5).....	1.02	1.30	2.00	3.20	2.81
Capital expenditures.....	124,749	32,514	68,377	32,446	87,191
OTHER DATA (UNAUDITED):					
Consolidated EBITDA (6)..	5,748	8,373	42,788	66,695	80,712
Consolidated EBITDA/Consolidated Fixed Charges (6).....	0.86	0.77	5.20	6.34	5.60

	AT DECEMBER 31,					
	1989	1990	1991	1992	1993	
					ACTUAL	AS ADJUSTED(7)
	(IN THOUSANDS)					
BALANCE SHEET DATA:						
Cash and investments....	$ 11	$ 316	$ 49,279	$ 54,671	$127,756	$ 476,756
Properties and plants, net.....	302,514	321,303	373,948	389,646	458,974	458,974
Total assets.....	349,282	393,853	517,994	580,550	715,984	1,076,984
Project finance loans...	224,390	229,008	221,308	263,604	246,880	246,880
Senior Notes (8).....	35,730	35,730	35,730	35,730	35,730	N/A
Senior Discount Notes (7).....	N/A	N/A	N/A	N/A	N/A	400,000
Convertible Subordinated Debentures.....	N/A	N/A	N/A	N/A	100,000	100,000
Total liabilities.....	305,265	331,134	298,146	336,272	425,393	788,663
Redeemable preferred stock.....	N/A	4,705	54,705	54,350	58,800	58,800
Total stockholders' equity.....	42,163	55,088	143,128	168,764	211,503	209,233

- --------

(1) The Coso Project consists of three geothermal facilities (referred to herein as the "Navy I Plant," the "BLM Plant" and the "Navy II Plant"). The Navy I Plant commenced operation prior to 1989 and the BLM and Navy II Plants commenced commercial operation in February 1989 and January 1990, respectively. The Desert Peak facility and the Roosevelt Hot Springs field were acquired in March and January 1991, respectively.

(2) The refinancing of the Coso joint ventures' project financing debt resulted in an extraordinary item in 1992 in the amount of $5.0 million, after the tax effect of $1.5 million.

(3) On January 1, 1993, the Company adopted Statement of Financial Accounting Standard No. 109, "Accounting for Income Taxes," which resulted in a cumulative adjustment to net income of $4.1 million in 1993.

(4) The number of shares outstanding is calculated by using the treasury stock method.

(5) For information concerning the calculation of the ratio of earnings to

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fixed charges, see Note 5 to "Selected Historical Consolidated Financial and Operating Data--Statement of Operations Data."

(6) "Consolidated EBITDA" and "Consolidated Fixed Charges" are calculated in accordance with the respective definitions of such terms in the Indenture and set forth herein under "Description of the Notes--Certain Definitions." The Company has included information concerning EBITDA herein because the concept is used in the financial covenants in the Indenture under which the Notes will be issued. EBITDA is presented here not as a measure of operating results, but rather as a measure of the Company's ability to service debt. EBITDA should not be construed as an alternative either (i) to operating income (determined in accordance with generally accepted accounting principles) or (ii) to cash flows from operating activities (determined in accordance with generally accepted accounting principles). In 1989, 1990 and 1991, the calculation of EBITDA was negatively affected by restrictions on cash balances imposed relating to the filing of mechanics' liens against, and related construction litigation involving, the Coso Project. Such restrictions were removed as part of the refinancing of the Coso Project in 1992 and subsequent settlement of such litigation. See Note 5 of Notes to the Consolidated Financial Statements.

(7) As adjusted to give effect to the net proceeds of the Offering and the transaction described in Note 8, before deducting certain expenses payable by the Company in connection with the Offering estimated at $500,000. See "Use of Proceeds."

(8) Simultaneously with the Offering, the Company intends to use approximately $39.0 million of its existing cash balances to defease and provide for the repayment of the entire aggregate principal amount of the Senior Notes outstanding.

INVESTMENT CONSIDERATIONS

In addition to the other information contained in this Prospectus and the documents incorporated herein by reference, prospective investors should consider the factors set forth below prior to deciding whether to invest in the Notes offered hereby.

DEVELOPMENT UNCERTAINTY

The Company is actively seeking to develop, construct, own and operate new power projects utilizing geothermal and other technologies, both domestically and internationally, the completion of any of which is subject to substantial risk. Development can require the Company to expend significant sums for preliminary engineering, permitting, legal and other expenses in preparation for competitive bids which the Company may not win or before it can be determined whether a project is feasible, economically attractive or capable of being financed. Successful development is contingent upon, among other things, negotiation of construction, fuel supply and power sales contracts with other project participants on terms satisfactory to the Company, and receipt of required governmental permits and consents. Further, there can be no assurance that the Company will obtain access to the substantial debt and equity capital required to develop and construct electric power projects or to refinance projects for which the Company has provided initial construction financing from the proceeds of the Notes. See "Business--International Projects and Development Opportunities--Funding for International Projects." The Company's future growth is dependent, in large part, upon the demand for significant amounts of additional electrical generating capacity and the Company's ability to obtain contracts to supply portions of this capacity. There can be no assurance that development efforts on any particular project, or the Company's efforts generally, will be successful. See "Business--The Independent Power

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Production Market" and "Use of Proceeds."

DEVELOPMENT UNCERTAINTY OUTSIDE THE UNITED STATES

The Company believes that the international independent power market holds the majority of new opportunities for financially attractive private power development in the next several years. The financing and development of projects outside the United States entails significant political and financial risks (including, without limitation, uncertainties associated with first time privatization efforts in the countries involved, currency exchange rate fluctuations, currency repatriation restrictions, political instability, civil unrest and expropriation) and other structuring issues that have the potential to cause substantial delays or material impairment of value to the project being developed, which the Company may not be fully capable of insuring against. The uncertainty of the legal environment in certain foreign countries in which the Company may develop or acquire projects could make it more difficult for the Company to enforce its rights under agreements relating to such projects. In addition, the laws and regulations of certain countries may limit the ability of the Company to hold a majority interest in some of the projects that it may develop or acquire. The Company's international projects may, in certain cases, be terminated by the government. See "Business--The Independent Power Production Market" and "--International Projects and Development Opportunities" and "Use of Proceeds."

HOLDING COMPANY STRUCTURE; NOTES ARE UNSECURED OBLIGATIONS

The Company is a holding company which derives substantially all of its operating income from its subsidiaries' ownership interests in the Coso Project and through other project subsidiaries. The Company expects that its future development efforts will be similarly structured to involve operating subsidiaries, joint ventures and partnerships. The Company intends to loan or contribute a substantial portion of the net proceeds from the sale of the Notes to certain of its subsidiaries and joint ventures. See "Use of Proceeds."

The Company will be the sole obligor with respect to the Notes, and the Notes will not be obligations of, or guaranteed by, any of the Company's subsidiaries or joint ventures, whose assets will be used to secure future project level debt. The Notes are not secured by any assets of the Company and the Company must rely upon dividends and other payments from its subsidiaries, partnerships and joint ventures to generate the funds necessary to meet its obligations, including the payment of principal, interest and premium, if any, on

the Notes. The availability of distributions from the Coso Project is subject to the satisfaction of various covenants and conditions contained in the Coso joint ventures' refinancing documents. Furthermore, the Company is structuring Philippine and Indonesian project financing arrangements containing, and anticipates that future project level financings will contain, certain conditions and similar restrictions on the distribution of cash flow to the Company. See "Description of the Notes--Ranking" and "Business--The Coso Project--Non-Recourse Coso Project Financing."

HIGH LEVERAGE; ADDITIONAL DEBT PERMITTED AT SUBSIDIARY OR PROJECT LEVEL; PRIORITY OF PROJECT DEBT

After giving effect to the Offering, the Company will be highly leveraged. As of December 31, 1993, the Company's total consolidated indebtedness was $382.6 million (excluding deferred income and redeemable preferred stock), its total consolidated assets were $716.0 million and its stockholders' equity was $211.5

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million. At such date, on a pro forma basis, after giving effect to the completion of this Offering and the Company's planned defeasance of its Senior Notes, the Company's total consolidated indebtedness (excluding deferred income and redeemable preferred stock) would have been $746.9 million, its total consolidated assets would have been $1,077.0 million and its stockholders' equity would have been $209.2 million. See "Capitalization" and "Selected Historical Consolidated Financial and Operating Data."

The Indenture does not limit the amount of Non-Recourse Debt which may be incurred by the Company or at the subsidiary or project level. See "Description of the Notes--Certain Covenants--Limitation on Subsidiary Debt." As a result, the Notes are effectively subordinated to any secured Non-Recourse Debt of the Company and to indebtedness and other obligations of the Company's subsidiaries and the partnerships and joint ventures in which the Company has direct or indirect interests. Claims of creditors of the Company's subsidiaries or joint ventures, including trade creditors, will generally have priority as to the assets of such subsidiaries or joint ventures over the claims of the Company and the holders of the Company's indebtedness, including the Notes, except to the extent that the Company may itself be a creditor with recognized claims against such subsidiary or joint venture. In such case, the Company's claims would still be subordinate to any security interests in the assets of such subsidiary or joint venture and any indebtedness of such subsidiary or joint venture senior to the claims of the Company. The Company intends to loan a substantial portion of the net proceeds from the sale of the Notes to certain of its subsidiaries and joint ventures. See "Use of Proceeds" and "Business--International Projects and Development Opportunities--Funding for International Projects." In addition, the Indenture limits, but does not prohibit, the incurrence of additional indebtedness by the Company which may be subordinated to the Notes or which may rank pari passu with the Notes. See "Description of the Notes--Certain Covenants--Limitation on Debt."

ENVIRONMENTAL AND OTHER REGULATIONS

The Company's activities are subject to complex and stringent environmental and other regulations. The construction and operation of power plants require numerous permits, approvals and certificates from appropriate U.S. and foreign federal, state and local governmental agencies as well as compliance with environmental protection legislation and other regulations. While the Company believes that it has obtained the requisite approvals for its existing operations and that its business is operated in accordance with applicable law, it remains subject to a varied and complex body of regulations that both public officials and private individuals may seek to enforce. There can be no assurance that existing regulations will not be revised or that new regulations will not be adopted or become applicable to the Company which could have an adverse impact on its operations. In addition, regulatory compliance for the construction of new facilities is a costly and time consuming process and intricate and rapidly changing environmental regulations may require major expenditures for permitting and create the risk of expensive delays or material impairment of project value if projects cannot function as planned due to changing regulatory requirements or local opposition. See "Business--The Coso Project--Regulatory and Environmental Matters."

EXPLORATION, DEVELOPMENT AND OPERATION UNCERTAINTIES OF GEOTHERMAL ENERGY RESOURCES

Geothermal exploration, development and operations are subject to uncertainties similar to those typically associated with oil and gas exploration and development, including dry holes and uncontrolled releases. Because of the geological complexities of geothermal reservoirs, the geographic area and sustainable

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output of a geothermal reservoir can only be estimated and cannot be definitively established. There is, accordingly, a risk of an unexpected decline in the capacity of geothermal wells, and a risk of geothermal reservoirs not being sufficient for sustained generation of the electrical power capacity desired. See "Business--Geothermal Energy."

CONSIDERATIONS RELATING TO THE COSO PROJECT

The Coso Project currently constitutes the Company's primary source of revenues. The following factors should be considered in connection with these facilities:

DEPENDENCE ON A SINGLE UTILITY CUSTOMER

Electricity generated by the three facilities (which facilities are sometimes referred to as the "Navy I Project," the "BLM Project" and the "Navy II Project") owned by the Coso Project joint ventures (referred to herein as the "Navy I Joint Venture," the "BLM Joint Venture" and the "Navy II Joint Venture," and collectively, the "Coso Joint Ventures") is sold pursuant to three long-term SO4 Agreements to SCE. Each Coso Joint Venture currently relies on its SO4 Agreement with SCE to generate 100.0% of its operating revenues. The payments under these agreements have constituted 100.0% of the operating revenues of the Coso Joint Ventures since their inception, are expected to continue to do so for the term of the Notes, and, together, constituted approximately 94.0% of the operating revenues of the Company in 1993. Any material failure of SCE or any one of the Coso Joint Ventures to fulfill its contractual obligations under any of the SO4 Agreements could have a material adverse effect on the cash flow available to the Company from the Coso Joint Ventures. See "Business--The Coso Project--Certain Material Contracts" and "--Non-Recourse Coso Project Financing."

IMPACT OF AVOIDED COST PRICING

Under the SO4 Agreement with each Coso Joint Venture, SCE pays a fixed price which escalates at an average annual rate of approximately 7.0% per year for the remainder of the initial ten-year period under each SO4 Agreement, which period continues until August 1997 for the Navy I Project, March 1999 for the BLM Project and January 2000 for the Navy II Project. After the fixed price period expires, while the basis for the capacity and capacity bonus payments under the SO4 Agreements remains the same, the energy payments adjust to SCE's then prevailing "Avoided Cost" (as determined by the California Public Utilities Commission), which at present is substantially lower than the current energy payments under the SO4 Agreements. The Company cannot predict the likely level of Avoided Cost energy prices at the expiration of the fixed price period. See "Business--The Coso Project--Certain Material Contracts."

GOVERNMENT'S RIGHT TO TERMINATE CONTRACTS

As is typical for any government agency which contracts for products or services, the United States Department of the Navy (the "Navy") has the right to terminate the lease of lands used by the Coso Joint Ventures under circumstances that include the convenience of the Navy. In the event of termination, the Navy is obligated to pay the Coso Joint Ventures owning the Navy I Project and the Navy II Project an aggregate maximum amount of approximately $352.5 million. Such payment would not take into consideration the loss of anticipated future profits. With respect to the Company's properties which are leased from the United States Bureau of Land Management

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(the "BLM"), including the BLM Project, the BLM has the right to terminate its leases if the leaseholder fails to comply with any of the provisions of such leases, subject to the notice and hearing requirements and the right to cure provided in the Geothermal Steam Act of 1970. However, if the leased premises contain a well capable of steam production in commercial quantities, such leases may be terminated only by judicial proceedings. At the present time, the property leased by the Company from the BLM, on which the BLM Project is situated, contains a well which is producing steam in commercial quantities. See "Business--The Coso Project--Certain Material Contracts."

SEISMIC DISTURBANCES; ADEQUACY OF INSURANCE

Areas in the United States in which the Company is exploring for geothermal resources are subject to frequent low-level seismic disturbances, and more significant seismic disturbances are possible. Non-U.S. geothermal areas of interest to the Company have been subject to even higher level seismic disturbances.

While the Company's existing power generating systems are built to withstand relatively significant levels of seismic disturbance, and the Company seeks appropriate insurance protection, geothermal power production poses unusual risks of seismic activity, and there can be no assurance that earthquake, property damage or business interruption insurance will be adequate to cover all potential losses sustained in the event of serious seismic disturbances or that such insurance will be available on commercially reasonable terms. See "Business--The Coso Project--Insurance."

COMPETITION

In recent years, the domestic power production industry has been characterized by strong and increasing competition in an effort to obtain new power sales agreements, which has contributed to a reduction in prices offered by utilities. In this regard, many utilities often engage in "competitive bid" solicitation to satisfy new capacity demands. See "Business--The Independent Power Production Market." Many of the Company's competitors have more extensive and more diversified developmental or operating experience (including international experience) and greater financial resources than the Company. In the domestic market, the Energy Policy Act of 1992 is expected to increase competition.

ORIGINAL ISSUE DISCOUNT; EFFECT ON THE HOLDERS OF THE NOTES AND THE COMPANY

The Notes will be issued at a substantial discount from their principal amount at maturity. Consequently, purchasers of the Notes should be aware that, although cash interest will not accrue on the Notes prior to January 15, 1997, and there will be no periodic payments of cash interest on the Notes prior to July 15, 1997, original issue discount (that is, the difference between the stated redemption price at maturity and the issue price of the Notes) will accrue from the issue date of the Notes and will be includable as interest income periodically (including for periods ending prior to January 15, 1997) in a Holder's gross income for U.S. federal income tax purposes in advance of receipt of the cash payments to which the income is attributable. See "Certain Federal Income Tax Considerations" for a more detailed discussion of the federal income tax consequences to the Holders regarding the purchase, ownership and disposition of the Notes. Further, if a bankruptcy case were to be commenced by or against the Company under the U.S. Bankruptcy Code after the issuance of the Notes, the claim of a Holder with respect to the principal amount thereof may be limited to an amount equal to the sum of (i) the initial

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offering price and (ii) that portion of the original issue discount that is not deemed to constitute "unmatured interest" for purposes of the U.S. Bankruptcy Code. Any original issue discount that was not amortized as of any such bankruptcy filing would constitute "unmatured interest."

NO PRIOR PUBLIC MARKET; POSSIBLE VOLATILITY OF NOTE PRICE

Prior to the Offering, there has been no public market for the Notes. The Notes have been approved for listing on the New York Stock Exchange, subject to official notice of issuance. There can be no assurance, however, that an active trading market for the Notes will develop or be sustained. If such a market were to develop, the Notes could trade at prices that may be higher or lower than their initial offering price depending upon many factors, including prevailing interest rates, the Company's operating results and the markets for similar securities. The Underwriters have advised the Company that they currently intend to make a market in the Notes; however, they are not obliged to do so and any market making may be discontinued at any time. Historically the market for non-investment grade debt has demonstrated substantial volatility in the prices of securities similar to the Notes. There can be no assurance that the future market for the Notes will not be subject to similar volatility.

USE OF PROCEEDS

The Company intends to use the net proceeds from the Offering (i) to fund equity investments in, and the construction costs of, geothermal power projects presently planned in the Philippines and Indonesia, (ii) to fund equity investments in, and loans to, other potential international and domestic private power projects and related facilities, (iii) for corporate or project acquisitions permitted under the Indenture and (iv) for general corporate purposes. As project loans are repaid, the Company may use the proceeds again for any of such permitted uses. See "Business--International Projects and Development Opportunities--Funding for International Projects."

The Upper Mahiao and Mahanagdong Projects are expected to require equity commitments by the Company of approximately $56 million and approximately $40 million, respectively. The Company may apply up to approximately $225 million to provide interim construction debt financing for the Mahanagdong Project. All or part of these costs may be funded by the proceeds of this Offering. See "Business--International Projects and Development Opportunities--The Philippines."

The Company evaluates from time to time various acquisition opportunities. The Company may elect to pursue one or more of these opportunities, but has no present intention to effect any material acquisition.

Pending application, the Company will invest the net proceeds from the sale of the Notes in Cash Equivalents. See "Description of the Notes--Certain Definitions."

CAPITALIZATION

The following table sets forth (i) the consolidated capitalization of the Company as of December 31, 1993 and (ii) the consolidated pro forma capitalization of the Company as adjusted to reflect the sale by the Company of

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the Notes offered hereby and the Company's planned defeasance of the entire aggregate principal amount of its senior notes.

<TABLE>
<CAPTION>

	AT DECEMBER 31, 1993	
	ACTUAL	AS ADJUSTED
	(DOLLARS IN THOUSANDS)	
<S>	<C>	<C>
Debt:		
Project finance loans (1)	$ 246,880	$246,880
Senior Notes (2)	35,730	N/A
Senior Discount Notes	N/A	400,000
Convertible Subordinated Debentures	100,000	100,000
	382,610	746,880
Deferred income (3)	20,288	20,288
Redeemable preferred stock (4)	58,800	58,800
Stockholders' equity:		
Preferred stock, no par value, 2,000,000 shares authorized, no shares issued and outstanding (other than redeemable preferred stock)	--	--
Common stock, $.0675 par value, 60,000,000 shares authorized, 35,446,000 shares issued and outstanding (5)	2,404	2,404
Additional paid-in capital	100,965	100,965
Retained earnings	111,031	108,761
Treasury stock, 157,000 common shares at cost	(2,897)	(2,897)
Total stockholders' equity	211,503	209,233
Total capitalization	$673,201	$1,035,201

</TABLE>

(1) Represents the Company's proportionate share of non-recourse debt incurred by the Coso Project. See Note 5 of Notes to the Consolidated Financial Statements.

(2) Simultaneously with the Offering, the Company intends to use approximately $39.0 million of its existing cash balances to defease and provide for the repayment of the entire aggregate principal amount of Senior Notes outstanding.

(3) The Company financed the acquisition of the Roosevelt Hot Springs field in part through the pre-sale of steam from the Roosevelt Hot Springs field to the utility-owned power project located at the site. See Note 4 of Notes to the Consolidated Financial Statements.

(4) See Note 10 of Notes to the Consolidated Financial Statements.

(5) Does not include (i) 8,514,000 shares of common stock reserved at December 31, 1993 for issuance upon exercise of outstanding options, (ii) shares issuable upon conversion of the outstanding shares of the Company's Series C redeemable preferred stock and (iii) shares issuable upon conversion of the Convertible Subordinated Debentures. See Notes 7, 10 and 11 of Notes to the Consolidated Financial Statements.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OPERATING DATA

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The following tables set forth selected historical consolidated financial and operating data, which should be read in conjunction with the Company's consolidated financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Prospectus. The selected consolidated data as of and for each of the five years in the period ended December 31, 1993 have been derived from the audited historical consolidated financial statements of the Company.

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,				
	1989	1990	1991	1992	1993
	(IN THOUSANDS, EXCEPT RATIOS AND PER SHARE AMOUNTS)				
<S>	<C>	<C>	<C>	<C>	<C>
STATEMENT OF OPERATIONS DATA:					
Sales of electricity...	$ 43,010	$ 89,026	$ 104,155	$ 115,087	$ 129,861
Sales of steam.....	N/A	N/A	2,029	2,255	2,198
Interest and other income.....	5,386	7,787	9,379	10,187	17,194
Total revenue.....	48,396	96,813	115,563	127,529	149,253
Plant operations, general and administrative and royalty and other expenses.....	13,615	37,412	41,506	45,183	46,794
Income before depreciation, amortization, interest, income taxes, extraordinary item and cumulative effect of change in accounting principle (1).....	34,781	59,401	74,057	82,346	102,459
Depreciation and amortization.....	6,605	13,372	14,752	16,754	17,812
Interest expense, net of capitalized interest.....	15,125	30,464	24,439	14,860	23,389
Provision for income taxes.....	2,715	3,522	8,284	11,922	18,184
Income before extraordinary item and cumulative effect of change in accounting principle (1).....	10,336	12,043	26,582	38,810	43,074
Extraordinary item-refinancing (2).....	N/A	N/A	N/A	(4,991)	N/A
Cumulative effect of change in accounting principle (3).....	N/A	N/A	N/A	N/A	4,100
Net income (1).....	10,336	12,043	26,582	33,819	47,174
Preferred dividends (paid in kind).....	N/A	N/A	N/A	4,275	4,630
Net income available to					

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common stockholders...	10,336	12,043	26,582	29,544	42,544
Income per share before extraordinary item and cumulative effect of change in accounting principle (1).....	.38	.44	.75	.92	1.00
Extraordinary item per share (2).....	N/A	N/A	N/A	(.13)	N/A
Cumulative effect of change in accounting principle per share (3).....	N/A	N/A	N/A	N/A	.11
Net income per share...	.38	.44	.75	.79	1.11
Weighted average shares outstanding (4).....	27,019	27,254	35,471	37,495	38,485
Ratio of earnings to fixed charges (5).....	1.02	1.30	2.00	3.20	2.81
Capital expenditures...	124,749	32,514	68,377	32,446	87,191
OTHER DATA (UNAUDITED):					
Consolidated EBITDA (6).....	5,748	8,373	42,788	66,695	80,712
Consolidated EBITDA/Consolidated Fixed Charges (6).....	0.86	0.77	5.20	6.34	5.60

</TABLE>

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(1) The Navy I Plant commenced operation prior to 1989 and the BLM and Navy II Plants commenced commercial operation in February 1989 and January 1990, respectively. The Desert Peak facility and the Roosevelt Hot Springs field were acquired in March and January 1991, respectively.

(2) The refinancing of the Coso Project resulted in an extraordinary item in 1992 in the amount of $5.0 million, after the tax effect of $1.5 million.

(3) On January 1, 1993, the Company adopted Statement of Financial Accounting Standard No. 109, "Accounting for Income Taxes," which resulted in a cumulative adjustment to net income of $4.1 million in 1993.

(4) The number of shares outstanding is calculated by using the treasury stock method.

(5) For purposes of computing historical ratios of earnings to fixed charges, earnings are divided by fixed charges. "Earnings" represent the aggregate of (a) the pre-tax income of the Company, including its proportionate share of the pre-tax income of the Coso Joint Ventures (see Notes 1 and 2 of Notes to the Consolidated Financial Statements), (b) fixed charges, less capitalized interest and (c) the amortization of previously capitalized interest. "Fixed charges" represent interest (whether expensed or capitalized), amortization of deferred financing and bank fees, and the portion of rentals considered to be representative of the interest factor (one-third of lease payments).

(6) "Consolidated EBITDA" and "Consolidated Fixed Charges" are calculated in accordance with the respective definitions of such terms in the Indenture and set forth herein under "Description of the Notes--Certain Definitions." The Company has included information concerning EBITDA herein because the concept is used in the financial covenants in the Indenture under which the Notes will be issued. EBITDA is presented here not as a measure of operating results, but rather as a measure of the Company's ability to service debt. EBITDA should not be construed as an alternative either (i) to operating income (determined in accordance with

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generally accepted accounting principles) or (ii) to cash flows from operating activities (determined in accordance with generally accepted accounting principles). In 1989, 1990 and 1991, the calculation of EBITDA was negatively affected by restrictions on cash balances imposed relating to the filing of mechanics' liens against, and related construction litigation involving, the Coso Project. Such restrictions were removed as part of the refinancing of the Coso Project in 1992 and subsequent settlement of such litigation. See Note 5 of Notes to the Consolidated Financial Statements.

<TABLE>
<CAPTION>

	AT DECEMBER 31,					
	1989	1990	1991	1992	1993	
					ACTUAL	AS ADJUSTED(1)
			(IN THOUSANDS)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE SHEET DATA:						
Cash and investments..	$ 11	$ 316	$ 49,279	$ 54,671	$127,756	$ 476,756
Properties and plants, net.....	302,514	321,303	373,948	389,646	458,974	458,974
Total assets.....	349,282	393,853	517,994	580,550	715,984	1,076,984
Project finance loans (2).....	224,390	229,008	221,308	263,604	246,880	246,880
Senior notes (3).....	35,730	35,730	35,730	35,730	35,730	N/A
Senior discount notes (1).....	N/A	N/A	N/A	N/A	N/A	400,000
Convertible subordinated debentures (4).....	N/A	N/A	N/A	N/A	100,000	100,000
Total liabilities.....	305,265	331,134	298,146	336,272	425,393	788,663
Deferred income.....	1,854	2,926	22,015	21,164	20,288	20,288
Redeemable preferred stock (5).....	N/A	4,705	54,705	54,350	58,800	58,800
Total stockholders' equity.....	42,163	55,088	143,128	168,764	211,503	209,233

</TABLE>

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(1) As adjusted to give effect to the net proceeds of the Offering and the transaction described in Note 3, before deducting certain expenses payable by the Company in connection with the Offering estimated at $500,000. See "Use of Proceeds."

(2) See Note 5 of Notes to the Consolidated Financial Statements.

(3) See Note 6 of Notes to the Consolidated Financial Statements. Simultaneously with the Offering, the Company intends to use approximately $39.0 million of its existing cash balances to defease and provide for the repayment of the entire aggregate principal amount of the Senior Notes outstanding.

(4) See Note 7 of Notes to the Consolidated Financial Statements.

(5) See Note 10 of Notes to the Consolidated Financial Statements.

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The following is management's discussion and analysis of certain significant factors which have affected the Company's financial condition and results of operations during the periods included in the accompanying statements of operations.

GENERAL

For purposes of consistency in financial presentation, the plants comprising the Coso Project (including the Navy I, Navy II and BLM Plants) capacity factors are based upon a capacity amount of 88 gross MW ("GMW")/80 net MW ("NMW") for each plant. The Navy I and Navy II Plants each consist of a set of three turbines located at a plant site. The BLM Plant consists of two turbines at one site ("BLM East") and one turbine at another site ("BLM West"). In April 1990, the Company completed a retrofit of the two turbines at BLM East and in July 1990 completed associated retrofitting of the cooling towers to increase the aggregate installed capacity of the BLM Plant to 88 GMW/80 NMW, effective July 2, 1990. Each plant possesses an operating margin which periodically allows for production in excess of the amount listed above. However, through 1990, the Navy I, Navy II and BLM Plant capacity amounts were restricted by the then existing PURPA 80 NMW cap. With the lifting of the PURPA 80 NMW cap in 1991, utilization of this operating margin can, at times, produce plant capacity factors in excess of 100%. Utilization of this operating margin is based upon a variety of factors and can be expected to vary throughout the year under normal operating conditions.

RESULTS OF OPERATIONS

Three Years Ended December 31, 1993, 1992 and 1991

Sales of electricity and steam increased to $132.1 million in the year ended December 31, 1993 from $117.3 million in the year ended December 31, 1992, a 12.5% increase. This improvement was primarily due to a 9.1% increase in the Coso Project's electric kWh sales to 2,186.7 million kWh from 2,004.0 million kWh, and an increased price per kWh in accordance with the SO4 Agreements. The increase in Coso Project kWh sales was primarily due to the completion of new production wells. The increase in sales of electricity and steam in 1992 to $117.3 million from $106.2 million in 1991 was primarily due to increasing electric kWh sales by 6.0% to 2,004.0 million kWh from 1,890.4 million kWh largely as a result of the drilling of additional production wells and the aforementioned increase in price per kWh pursuant to the SO4 Agreements.

The following operating data includes the full capacity and electricity production of the Coso Project only:

<TABLE>
<CAPTION>

	1993	1992	1991
<S>	<C>	<C>	<C>
Overall capacity factor..	104.0%	95.1%	89.9%
kWh produced.....	2,186,700,000	2,004,000,000	1,890,402,000
Installed capacity NMW average.....	240	240	240

</TABLE>

The overall Coso plant capacity factor was 108.8% in the fourth quarter of 1993 compared to 109.1%, 100.9% and 97.1% for the third, second and first quarters of 1993, respectively. The Navy I Plant capacity factor was 111.2% in 1993, compared to 99.8% and 98.5% in 1992 and 1991, respectively. The Navy II Plant capacity factor was 102.6% in 1993, compared to 98.1% and 99.9% in 1992

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and 1991, respectively. The BLM Plant capacity factor was 98.1% in 1993 compared to 87.2% and 71.4% in 1992 and 1991, respectively. The BLM Plant, Navy I Plant and the Navy II Plant were overhauled in conjunction with scheduled warranty inspections in 1993, 1992 and 1991 respectively, resulting in a temporary reduction of the plant capacity factor of 3% in the specified year.

Electric sale price per kWh for the Coso Project varies seasonally in accordance with the rate schedule included in the SO4 Agreements. The price consists of an energy payment based on the annualized contracted rate of 10.11 cents per kWh in 1993, 9.23 cents per kWh in 1992, and 8.58 cents per kWh in 1991, and

constant annual capacity payments of which the Company's share was $5.4 million to $5.8 million per annum for each of the three power plants. Capacity payments are significantly higher in the months of June through September. Bonus payments are received monthly of which the Company's share was approximately $1.0 million per annum for each of the three power plants.

The Coso Project's average electricity prices per kWh in 1993, 1992 and 1991 were comprised of (in cents):

<TABLE>
<CAPTION>

	ENERGY	CAPACITY & BONUS	TOTAL
<S>	<C>	<C>	<C>
Average fiscal 1993	10.11	1.93	12.04
Average fiscal 1992	9.23	2.10	11.33
Average fiscal 1991	8.58	2.24	10.82

</TABLE>

The Desert Peak and Roosevelt Hot Springs facilities ran at or near capacity levels for each of the past three years. Steam sales from the Roosevelt Hot Springs field, which was acquired in January 1991, remained relatively unchanged at $2.2 million, $2.3 million, and $2.1 million in 1993, 1992 and 1991, respectively. Electric sales from Desert Peak were $5.1 million, $5.3 million and $4.0 million for the years 1993, 1992 and 1991, respectively. Desert Peak was acquired in March 1991 and, accordingly, reflects only nine months sales in 1991.

Interest and other income increased in 1993 to $17.2 million from $10.2 million in 1992 and from $9.4 million in 1991. The increase reflects higher average cash balances, interest income on notes receivable from the Coso Joint Ventures and interest income on the Company's share of the cash reserves established in the refinancing of the Coso Project debt in December 1992.

The Company's cost per kWh* was as follows (in cents):

<TABLE>
<CAPTION>

	1993	1992	1991
<S>	<C>	<C>	<C>
Plant operations (net of Company's operator fees)	1.64	1.65	1.77
General and administration	1.03	1.04	1.11
Royalties	.65	.61	.49

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Depreciation and amortization	1.39	1.33	1.31
Interest, less amounts capitalized	1.82	1.17	2.16
Total	6.53	5.80	6.84

</TABLE>
- --------
* Cost per kWh includes electrical production from the Desert Peak facility and the electrical production equivalent of the Company's share of geothermal steam produced at the Roosevelt Hot Springs field, acquired in March and January 1991, respectively.

The Company's expenses* as a percentage of sales of electricity and steam were as follows:

<TABLE>
<CAPTION>

	1993	1992	1991
<S>	<C>	<C>	<C>
Plant operations (net of Company's operator fees)	15.8%	17.7%	18.8%
General and administration	10.0	11.1	11.7
Royalties	6.3	6.6	5.2
Depreciation and amortization	13.5	14.3	13.9
Interest, less amounts capitalized	17.7	12.7	23.0
Total	63.3%	62.4%	72.6%

</TABLE>
- --------
* Expenses as a percentage of electricity sales and steam sales include electricity sales from the Desert Peak facility and steam sales from the Roosevelt Hot Springs field, acquired in March and January 1991, respectively.

The Company's expenses, excluding interest, increased as a general result of the greater electricity production of the Coso Project. However, in 1993, plant operations and general and administration costs per kWh decreased from 1992. In 1992, the Company's total expenses, excluding interest, were proportionally less than the increase in electricity production of the Coso Project.

The cost of plant operations increased to $25.4 million in 1993 from $24.4 million in 1992, an increase of 3.8%. The cost of plant operations increased to $24.4 million in 1992 from $23.5 million in 1991, an increase of 3.9%. General and administration costs remained relatively unchanged at $13.2 million in 1993 compared to $13.0 million in 1992. General and administration costs increased to $13.0 million in 1992 from $12.5 million in 1991, a 4.5% increase. However, for 1993 and 1992 both plant operations and general and administration costs per kWh continued to decrease due to a proportionally greater increase in electrical production than plant operations and general administration costs. Plant cost per kWh decreased to 1.64 cents in 1993 from 1.65 cents in 1992 and 1.77 cents in 1991. General and administration costs per kWh decreased to 1.03 cents in 1993 from 1.04 cents in 1992 and 1.11 cents in 1991.

Royalty costs increased to $8.3 million in 1993 from $7.7 million in 1992, an increase of 7.3%. Royalty costs increased to $7.7 million in 1992 from $5.5 million in 1991, an increase of 40.1%, due to higher electrical sales and a contractually scheduled increase in the 1992 royalty rate for the second and

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third turbines of the Navy I plant. Overall, the royalty cost per kWh increased to 0.65 cents in 1993 from 0.61 cents in 1992 and 0.49 cents in 1991.

Depreciation and amortization expense increased to $17.8 million in 1993 from $16.8 million and $14.8 million in 1992 and 1991, respectively, a 6.3% increase from 1992 to 1993, and a 13.6% increase from 1991 to 1992. Depreciation and amortization expense for 1993 was 1.39 cents per kWh compared to 1.33 cents in 1992 and 1.31 cents per kWh in 1991. The increase in 1993 was due to additional capitalized costs associated with the settlement of litigation involving the Mission Power Engineering Company ("MPE") and the Mission Power Group, as well as additional wells and gathering systems. The increase in per kWh cost in 1992 was due largely to the costs of an increased number of production and injection wells.

Interest expense, less amounts capitalized, increased to $23.4 million in 1993 from $14.9 million in 1992, an increase of 57.4% or 1.82 cents per kWh in 1993, compared to 1.17 cents in 1992. Net interest expense decreased to $14.9 million in 1992 from $24.4 million, or 2.16 cents per kWh in 1991. Net interest expense in 1993 increased due primarily to the Company's higher weighted average interest rate, higher levels of indebtedness associated with the Coso Project and the issuance of convertible subordinated debentures in June 1993. The short-term variable rate debt on the Coso Project was refinanced in 1992 with longer-term fixed rate debt. The weighted average interest rate on the Coso Project debt was 7.9%, 5.4%, and 8.5% in 1993, 1992 and 1991, respectively. Net interest expense decreased in 1992 from 1991 as a result of low interest rates associated with the Coso Project's then variable rate debt.

The provision for income taxes increased to $18.2 million in 1993 from $11.9 million and $8.3 million in 1992 and 1991, respectively. The effective tax rate was 29.7%, 23.5% and 23.8% in 1993, 1992 and 1991. The increase in the 1993 effective tax rate was a result of adopting Financial Accounting Standard No. 109 ("FAS 109").

Income before the provision for income taxes increased 21.0% to $61.3 million in 1993 from $50.7 million in 1992. Net income after a cumulative effect of a change in accounting principle was $47.2 million and net income available to common shareholders was $42.5 million or $1.11 per common share for the year ended December 31, 1993. This compares to net income of $33.8 million after an extraordinary item and net income available to common shareholders of $29.5 million or $.79 per common share for the year ended December 31, 1992. Net income before cumulative effect of a change in accounting principle for the year ended December 31, 1993 was $43.1 million or $1.00 per common share versus net income before an extraordinary item of $38.8 million or $.92 per common share in 1992. In 1991, income before the provision for income taxes was $34.9 million and net income and net income available to common shareholders was $26.6 million or $.75 per share.

Earnings per share were favorably impacted in 1992 by the Company's repurchase of common shares during 1992 at an average price of approximately $12.00 per share. The Company purchased common shares to be held as treasury stock which were reissued upon the exercise of options and warrants.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and investments were $127.8 million at December 31, 1993 as compared to $54.7 million at December 31, 1992. In addition, the Coso Project retained cash and investments in project control accounts of which the Company's share was $14.9 million and $8.8 million at December 31, 1993 and

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1992, respectively. Distributions out of the project control accounts are made monthly to the Company for operation and maintenance and capital costs and semiannually to each Coso Joint Venture partner for profit sharing under a prescribed calculation subject to mutual agreement by the partners. In addition to these liquid instruments, the Company recorded separately restricted cash of $48.1 million and $62.5 million at December 31, 1993 and 1992, respectively. The restricted cash balance in 1993 was comprised primarily of the Company's proportionate share of Coso Project cash reserves for debt reserve funds and in 1992 included a contingency reserve fund, both of which were established in conjunction with the Coso Project's refinancing of its previous bank debt.

Accounts receivable normally represents two months of revenues, and fluctuates with both production and price per kWh.

The balance due from/to the Coso Joint Ventures relates to operations, maintenance, and management fees for managing the Coso Project. This amount fluctuates based on the timing of billings and incurrence of costs.

In December 1992, the Company refinanced the existing bank debt of the Coso Project (see Note 5 of the Notes to the Consolidated Financial Statements). Coso Funding Corp. ("Funding Corp."), a single-purpose corporation, was formed to issue $560.2 million of notes for its own account and as an agent acting on behalf of Navy I, BLM and Navy II Plants. The proceeds were used in part to replace the outstanding Coso Project bank indebtedness and to provide funding within the Coso Project for certain reserves. As of December 31, 1993 and 1992 the Company's proportionate share of the Coso Project loan was $246.9 million and $263.6 million, respectively.

The Funding Corp. notes have remaining terms of up to eight years and different fixed interest rates for each tranche. The underlying project loans have identical terms as the Coso Project loans and are also non-recourse to the Company.

In connection with the Coso Project refinancing, the Company purchased Community Energy Alternatives Incorporated's ("CEA") interest in the Coso Project at the close of the Coso Project refinancing. See Note 5 of the Notes to the Consolidated Financial Statements.

On June 9, 1993, MPE and the Mission Power Group, subsidiaries of SCE Corp., and the Coso Joint Ventures reached a final settlement of all of their outstanding disputes and claims relating to the construction of the Coso Project. As a result of the various payments and releases involved in such settlement, the Coso Joint Ventures agreed to make a net payment of $20.0 million to MPE from the cash reserves of the Coso Project contingency funds and MPE agreed to release its mechanics' liens on the Coso Projects. After making the $20.0 million payment, the remaining balance of the Coso Project contingency funds (approximately $49.3 million) was used to increase the Coso Project debt reserve fund from approximately $43.0 million to its maximum fully-funded requirement of $67.9 million. The remaining $24.4 million balance of the contingency fund was retained within the Coso Project for future capital expenditures and for Coso Project debt service payments. Since the Coso Project debt service reserve is fully funded in advance, Coso Project cash flows otherwise intended to fund the Coso Project debt service reserve funds, subject to satisfaction of certain covenants and conditions contained in the Coso Joint Ventures' refinancing documents, are available for distribution to the Company in its proportionate share.

On May 3, 1993, the transmission line dispute was settled and the

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transmission line deposit of approximately $7.7 million was released to the Company.

In June 1993, the Company issued $100.0 million principal amount of 5% convertible subordinated debentures (the "Convertible Subordinated Debentures") due July 31, 2000. The Convertible Subordinated Debentures are convertible into shares of the Company's common stock at any time prior to redemption or maturity at a conversion price of $22.50 per share, subject to adjustment in certain circumstances. Interest on the Convertible Subordinated Debentures is payable semiannually in arrears on July 31 and January 31 each year, commencing on July 31, 1993. The Convertible Subordinated Debentures are redeemable for cash at any time on or after July 31, 1996 at a redemption price of (expressed in percentages of the principal amount) 102%, 101%, 100% and 100% in 1996, 1997, 1998 and 1999, respectively. The Convertible Subordinated Debentures are unsecured general obligations of the Company and subordinated to all existing and future senior indebtedness of the Company.

The Senior Notes, of which $35.7 million aggregate principal amount are currently outstanding, mature in March 1995 and bear interest at the rate of 12.0% per annum, plus contingent interest, calculated by reference to the Company's share of the cash flow from the Coso Project through December 31, 1994. Simultaneous with the closing of the Offering, the Company intends to use approximately $39.0 million of its existing cash balances to defease and provide for the repayment of the entire aggregate principal amount of Senior Notes outstanding. The Senior Notes prohibit the payment of cash dividends unless the Company has a net worth of at least $50.0 million after payment of such dividends, and dividends do not exceed 50% of accumulated net income subsequent to December 31, 1987. The Senior Notes also place restrictions on capital expenditures not related to the Coso Project.

Proceeds and benefits from warrants and options for shares of common stock exercised in 1993 and 1992 aggregated approximately $1.4 million and $8.1 million, respectively. In addition, in August 1993, the Company acquired the Ben Holt Co. ("BHCO"), a thirty person engineering firm for a combination of cash and Company stock. In connection with this transaction, 87,000 common shares were issued having an aggregate market value of $1.6 million.

The Company repurchased 157,000 common shares during 1993 for the aggregate amount of $2.9 million. The Company purchased common stock to be held as treasury stock in anticipation of their reissue once upon the exercise of options. The Company repurchased 565,000 shares of common stock during 1992 at an aggregate amount of $4.9 million. The shares were reissued during 1992 upon the exercise of stock options.

On October 13, 1992, the Company repurchased, and cancelled, certain warrants exercisable for 1.025 million shares of unregistered common stock at $2.04 per share, for a purchase price of $9.16 per share, or approximately $9.4 million in the aggregate. Kiewit Energy Company ("Kiewit Energy") simultaneously purchased and exercised other warrants to purchase 600,000 shares of unregistered common stock at $2.04 per share, providing the Company with proceeds of $1.2 million. On October 27, 1992, the Company repurchased and cancelled warrants exercisable for 250,000 shares of unregistered common stock at $2.04 per share, for a purchase price of $9.316 per share, or $2.3 million in aggregate.

On November 15, 1992, the Company called the Company's Series B convertible preferred stock, no par value (the "Series B preferred stock"), for conversion into common stock. Each share of Series B preferred stock was converted into two shares of common stock and, accordingly, the Company issued 954,900 shares of common stock.

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In 1991, the Company and Kiewit Energy signed a stock purchase agreement and related agreements (see Note 12 to the Consolidated Financial Statements). In addition, in 1991 the Company issued 1,000 shares of its Series C redeemable preferred stock to Kiewit Energy for $50,000 per share.

The Company is actively engaged in the acquisition of, and is seeking to develop, construct, own and operate power projects utilizing geothermal and other technologies, both domestically and internationally,

the completion of any of which is subject to substantial risk. The Company is currently pursuing a number of international power project opportunities in countries where private power generation programs have been initiated, including the Philippines and Indonesia. Development can require the Company to expend significant sums for preliminary engineering, permitting, legal and other expenses in preparation for competitive bids which the Company may not win or before it can be determined whether a project is feasible, economically attractive or financeable. Successful development is contingent upon, among other things, negotiation of construction, fuel supply and power sales contracts with other project participants on terms satisfactory to the Company, and receipt of required governmental permits and consents. Further, there can be no assurance that the Company will obtain access to the substantial debt and equity capital required for the acquisition or development and construction of electric power projects. To the extent the Company engages in international development efforts, the financing and development of projects entails significant political and financial risks (including, without limitation, uncertainties associated with first time privatization efforts in the countries involved, currency exchange rate fluctuations, currency repatriation restrictions, political instability, civil unrest and expropriation) and other structuring issues that have the potential to cause substantial delays or that the Company may not be fully capable of insuring against. There can be no assurance that development efforts on any particular project, or the Company's acquisition or development efforts generally, will be successful.

In particular, the Company is developing a number of international projects, for which it may have significant capital requirements. See "Business--International Projects and Development Opportunities."

In addition to its international projects, the Company plans to incur domestic geothermal capital expenditures in the aggregate amount of approximate $30 million during 1994. The Company's planned capital spending includes, among other things, its share of recurring Coso Project capital expenditures, as well as the development of the Newberry Project in the Pacific Northwest.

The Company is constructing the Yuma Project, a 50 MW natural gas fired cogeneration project in Yuma, Arizona. Engineering and equipment procurement commenced in 1993. Capital expenditures of $10 million are anticipated through the completion of the Yuma project by mid-year 1994. The capital expenditures will be funded from existing cash balances and the Company's operating cash flows.

Inflation has not had a substantial impact on the Company's operating revenues and costs. The Coso Project's energy payments for electricity will continue to be based upon scheduled rate increases through the initial ten year period of each SO4 Agreement. Prior to the Coso Project refinancing, the project loans relating to the Coso Project were generally for periods up to twelve months at LIBOR plus a specified margin. Accordingly, the interest rates on the loans varied and over the operating period resulted in fluctuating

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interest payments. The refinanced Coso Project debt has fixed interest rates.

ADOPTION OF FINANCIAL ACCOUNTING STANDARD NO. 109

On January 1, 1993, the Company adopted FAS 109. The adoption of FAS 109 changes the Company's method of accounting for income taxes from the deferred method as required by Accounting Principles Board Opinion No. 11 to an asset and liability approach. Under FAS 109, the net excess deferred tax liability as of January 1, 1993 was determined to be $4.1 million. This amount is reflected in 1993 income as the cumulative effect of a change in accounting principle. It primarily represents the recognition of the Company's tax credit carryforwards as a deferred tax asset. There was no cash impact to the Company upon the required adoption of FAS 109. Under FAS 109, the effective tax rate utilized increased at the time of adoption as a result of the tax credit carryforwards being recognized as an asset and unavailable to reduce the current period's effective tax rate for computing the Company's provision for income taxes. The effective tax rate continues to be less than the statutory rate primarily due to the depletion deduction and the generation of energy credits in 1993. The significant components of the deferred tax liability are the temporary differences between the financial reporting bases and income tax bases of the power plant and the well and resource development costs, and in addition, the offsetting benefits of operating loss carryforwards and investment and geothermal energy tax credit and alternative minimum tax carryforwards.

BUSINESS

The Company, together with its subsidiaries, is primarily engaged in the exploration for and development of geothermal resources and the development, ownership and operation of environmentally responsible independent power production facilities worldwide utilizing geothermal resources or other energy sources, such as hydroelectric, natural gas, oil and coal. The Company was an early participant in the domestic independent power market and is now one of the largest geothermal power producers in the United States. The Company is also actively pursuing opportunities in the international independent power market. In the year ended December 31, 1993, the Company had revenues of $149.3 million, net income of $47.2 million, and as of that date, cash and investments at the Company level of $127.8 million. Peter Kiewit Sons', Inc. ("Kiewit") is a 36.6% stockholder (on a fully-diluted basis) in the Company and a participant in certain of the Company's international private power projects.

Through its subsidiaries, the Company currently has significant ownership interests in, and operates, four geothermal facilities that are qualified facilities under the Public Utility Regulatory Policies Act of 1978 ("PURPA"), which requires electric utilities to purchase electricity from qualified independent power producers. See "--The Independent Power Production Market."

Three of the Company's geothermal facilities, located together at the Naval Weapons Center at China Lake, California (collectively, the "Coso Project"), have an aggregate generating capacity of approximately 240 megawatts ("MW"). The Company is the managing general partner, operator and owner of an approximately 50% interest in the Coso Project, which currently constitutes the Company's primary source of revenues. Electricity generated by the Coso Project is sold pursuant to three long-term "Standard Offer No. 4" contracts (the "SO4 Agreements") to Southern California Edison Company ("SCE"). In 1993, the Coso Project achieved record MW production results and received the maximum level of capacity and capacity bonus payments under the S04 Agreements. See "--The Coso Project."

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The Company also owns and operates a 10 MW geothermal power plant located at Desert Peak, Nevada, which is a qualified facility that sells power to Sierra Pacific Power Company, and operates and owns a 70% interest in a geothermal steam field at Roosevelt Hot Springs, Utah, which supplies 25 MW of geothermal steam to Utah Power & Light Company under a 30-year steam sales contract. Pursuant to a memorandum of understanding, the Company has commenced early stage site work on a proposed 30 MW geothermal project at Newberry, Oregon, which is expected to be completed in early 1997 and to be wholly owned and operated by the Company. See "--Other Domestic Projects and Development Opportunities--Newberry."

Domestically, the Company plans to focus on developing and operating geothermal power projects, an area in which the Company believes it has a competitive advantage due to its geotechnical and project management expertise and extensive geothermal leaseholdings. The Company intends to continue to pursue geothermal opportunities in the Pacific Northwest where it has extensive geothermal leaseholdings. In addition, the Company has diversified into other environmentally responsible sources of power generation. The Company is currently constructing a 50 MW natural gas fired cogeneration project in Yuma, Arizona (the "Yuma Project"), which is expected to be wholly owned by the Company and to sell electricity to San Diego Gas & Electric Company ("SDG&E") under a 30-year power sales contract. The Company anticipates that this project will be completed by mid-year 1994. See "--Other Domestic Projects and Development Opportunities--Yuma." The Company expects future diversification through the selective acquisition of partially developed or existing power generating projects and intends to maintain a significant equity interest in, and to operate, the projects which it develops or acquires.

The Company presently believes that the international independent power market holds the majority of new opportunities for financially attractive private power development in the next several years. The Company is actively pursuing selected opportunities in nations where power demand is high and the Company's geothermal resource development and operating experience, project development expertise and strategic relationships are expected to provide it with a competitive advantage. The Company believes that the opportunities to successfully develop, construct, finance, own and operate international power projects are increasing as several countries have initiated the privatization of their power generation capacity and have

solicited bids from foreign developers to purchase existing generating facilities or to develop new capacity. Some of these countries, such as the Philippines and Indonesia, also have extensive geothermal resources.

The Company has recently entered into international joint venture agreements with Kiewit and Distral S.A. ("Distral"), two firms with significant power plant construction experience, in an effort to augment and accelerate the Company's capabilities in foreign energy markets. Joint venture activities with Distral will be conducted in South America, Central America and the Caribbean and joint venture activities with Kiewit will be conducted in Asia, in particular the Philippines and Indonesia, and in other regions not covered by the Distral joint venture agreement. See "--International Projects and Development Opportunities--International Joint Venture Agreements."

The Company has obtained "take-or-pay" power sales contracts for two geothermal power projects in the Philippines aggregating approximately 300 MW in capacity. The Upper Mahiao Project, a 120 MW geothermal facility with an estimated total project cost of approximately $226 million, is expected to be constructed on the island of Leyte and will be over 95% owned and operated by

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the Company. A syndicate of international banks is expected to provide an approximately $170 million project finance construction loan for the project. The Company expects that a portion of the proceeds of the Offering will be used to provide all or part of its approximately $56 million equity commitment to such project. The Export-Import Bank of the United States ("ExIm Bank") is expected to provide the term loan that would be used to refinance the construction loan for this project, as well as political risk insurance to the syndicate of commercial banks for the construction loan. The Company intends to arrange for similar insurance on its equity investment through the Overseas Private Investment Corporation ("OPIC") or from other governmental agencies or commercial sources. The Company expects that both the construction and the term loan agreements for the Upper Mahiao Project will be executed in April 1994 and that the notice to proceed will be issued promptly thereafter under the construction contract, which was executed in January 1994. Commercial operation of this project is presently scheduled for mid-year 1996.

The Mahanagdong Project, a 180 MW geothermal project with an anticipated total project cost of approximately $310 million, is expected to be operated by the Company and owned 45% by the Company, 45% by Kiewit and up to 10% by another industrial company. The Company intends to use a portion of the proceeds of the Offering to fund all or part of its approximately $40 million equity investment to the Mahanagdong Project, and to obtain political risk insurance on its investment similar to that for the Upper Mahiao Project. The Company is in the process of arranging construction financing for this project from a syndicate of international banks on terms similar to those of the Upper Mahiao construction loan. Such construction financing documentation is expected to be executed by the end of the second quarter of 1994. The Company may use a portion of the proceeds of the Offering to fund all or part of the approximately $225 million in construction costs for the Project. The construction financing is expected to close in mid-year 1994, with commercial operation presently scheduled for mid-year 1997. See "--International Projects and Development Opportunities--The Philippines."

The Company has been awarded the geothermal development rights to three geothermal fields in Indonesia at Dieng, Patuha and Lampung/South Sumatra, the initial phases of which could aggregate an additional generating capacity of 500 MW. The Company is currently negotiating power sales contracts for these projects in Indonesia and, should such negotiations be successful and such projects proceed, the Company intends to utilize a portion of the proceeds of the Offering to fund equity investments and/or construction loans to these projects. See "--International Projects and Development Opportunities--Indonesia."

The Company intends to use the net proceeds from the Offering (i) to fund equity investments in, and the construction costs of, geothermal power projects presently planned in the Philippines and Indonesia, (ii) to fund equity investments in, and loans to, other potential international and domestic private power projects and related facilities, (iii) for corporate or project acquisitions permitted under the Indenture and (iv) for general corporate purposes. As project loans are repaid, the Company may use the proceeds again for any of such permitted uses. See "Use of Proceeds."

THE INDEPENDENT POWER PRODUCTION MARKET

In the United States, the independent power industry expanded rapidly in the 1980's, facilitated by the enactment of PURPA. PURPA was enacted to encourage the production of electricity by non-utility companies. According to the Utility Data Institute and the North American Electricity Reliability Council,

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independent power producers were responsible for about 50,000 MW, or 43%, of the U.S. electric generation capacity which has come on line since 1980.

As the size of United States independent power market has increased, available domestic power capacity and competition in the industry have also significantly increased. Over the past decade, obtaining a power sales contract from a U.S. utility has generally become increasingly difficult, expensive and competitive. Many states now require power sales contracts to be awarded by competitive bidding, which both increases the cost of obtaining such contracts and decreases the chances of obtaining such contracts as bids significantly outnumber awards in most competitive solicitations. The federal Energy Policy Act of 1992 is expected to further increase domestic competition.

Due to the rapidly growing demand for new power generation capacity in many foreign countries and resulting privatization of power development, significant new markets for independent power generation now exist outside the United States. The Company intends to take advantage of opportunities in these new markets and to develop, construct and acquire generation projects outside the United States. See "--International Projects and Development Opportunities."

GEOTHERMAL ENERGY

Geothermal energy is derived from the heat of the earth's interior and may be used to generate electricity where geological conditions are suitable for its commercial extraction. These conditions exist where water contained within porous or permeable rock formations comes sufficiently close to hot molten rock to heat the water to temperatures of 400 degrees Fahrenheit or more. The heated water then ascends towards the surface of the earth, where it can be extracted by drilling geothermal wells. The geothermal reservoir is a renewable source of energy if natural ground water sources and reinjection of extracted geothermal fluids are adequate over the long-term to replenish the geothermal reservoir after the withdrawal of geothermal fluids.

[Schematic diagram illustrating how geothermal energy is derived.]

[ART GOES HERE]

The geothermal production wells are normally located within approximately one to two miles of a power plant, as geothermal fluids cannot be transported economically over longer distances. The geothermal fluids produced at the wellhead consist of a mixture of hot water and steam. The mixture flows from the wellhead through a gathering system of insulated steel pipelines to high pressure separation vessels called separators. There, steam is separated from the water and is sent to a demister in the power plant, where any remaining water droplets are removed. This produces a stream of dry steam, which passes through the high pressure inlet of a turbine generator, producing electricity. The hot water previously separated from the steam at the high pressure separators is piped to low pressure separators, where low pressure steam is separated from the water and sent to the low pressure inlet of a turbine generator. The hot water remaining after low pressure steam separation is injected back into the geothermal resource.

THE COSO PROJECT

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The Coso Project, of which the Company owns approximately 50%, consists of three qualified geothermal facilities with an aggregate generating capacity of approximately 240 MW. Each of the three facilities (sometimes the "Navy I Plant," the "BLM Plant" and the "Navy II Plant") is owned by a separate partnership. The Company is the managing general partner for and operator of the Coso Project. The Coso Project facilities are located on land leased by the Company pursuant to long-term leases from the Navy and the BLM. In 1993, the Coso Project produced an average output of 250 MW, and achieved the maximum capacity and capacity bonus payments under the SO4 Agreements with SCE. The payments under these contracts constituted approximately 94% of the operating revenues of the Company in 1993.

The Coso geothermal resource is located in Inyo County, California, approximately 150 miles northeast of Los Angeles. The Coso geothermal resource is a liquid-dominated hot water resource contained within the heterogeneous fractured granitic rocks of the Coso mountains. It is believed that the heat source for the Coso geothermal resource is a hot molten rock body located beneath the field. Water in the system is believed to be supplied from groundwater flow from the Sierra Nevada mountains located approximately ten miles west of the site.

The Company believes, based on geological and engineering surveys and analysis of wells drilled, that the Coso Project's geothermal resource is sufficient to supply steam of adequate temperature and in sufficient quantities for the respective terms of the SO4 Agreements. Because of the uncertainties related to developing, exploring and operating geothermal resources and the limited history of extracting the geothermal resource at the sites of the Navy I Plant, the BLM Plant and the Navy II Plant, there is no assurance that the geothermal reservoir will continue to supply steam at current levels for the remaining terms of the SO4 Agreements. See "Investment Considerations--Exploration, Development and Operation Uncertainties of Geothermal Energy Resources."

The following sets forth certain information as of December 31, 1993 concerning the three facilities that comprise the Coso Project:

<TABLE>
<CAPTION>

FACILITY	NO. OF PRODUCING WELLS*	NO. OF TURBINES	GROSS ELECTRICAL GENERATING CAPACITY*
<S>	<C>	<C>	<C>
Navy I	32	3	96 MW
BLM	20	3	96 MW
Navy II	25	3	96 MW

</TABLE>

---

* Approximate

CERTAIN MATERIAL CONTRACTS

Set forth below is a summary of certain agreements material to the Coso Project. Such summaries make use of certain terms defined in such agreements and are qualified in their entirety by reference to such agreements, copies of which may be obtained from the Company.

The Navy Contract. In December 1979, the Company entered into a 30-year

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contract (the "Navy Contract") with the Government of the United States, acting through the Navy, which granted to the Company exclusive rights to explore, develop and use the geothermal resource located on 3,520 acres within the China Lake Naval Air Weapons Station near China Lake, California.

In respect of the electricity generated by Unit 1 of the Navy I Plant, the Navy I Joint Venture is obligated to pay to the Navy $25 million on or before December 31, 2009, which amount is, in part, secured by annual

contributions to a sinking fund, currently at $2,730,540. Annual payments to the sinking fund are $600,000. Both the Navy I and Navy II Joint Ventures are required to pay to the Navy royalties, or the equivalent thereof, for electricity generated from the Navy I Plant (Units 2 and 3) and the Navy II Plant. The percentage royalty due to the Navy for Units 2 and 3 of the Navy I Plant equals 10% of gross revenues attributable to such facility through 1998, 15% through 2003 and 20% for the remaining term. The percentage royalty due to the Navy for the Navy II Plant equals 4% of gross revenues attributable to such facility through 1994, 10% through 1999, 18% through 2004 and 20% for the remaining term.

The Navy has the right to terminate the Navy Contract at any time by giving the Navy I Joint Venture or the Navy II Joint Venture, or both, as applicable, six months prior written notice, including for "reasons of national security, national defense preparedness, national emergency, or for any reasons the Contracting Officer shall determine that such termination is in the best interest of the U.S. Government." In the event of such termination, the United States Government is required to pay the Navy I Joint Venture, or the Navy II Joint Venture, or both, as applicable, for its unamortized exploratory investment and for its investment in installed power plant facilities, up to a maximum amount based on the nameplate capacity of the turbine generators. The total aggregate termination compensation for both Joint Ventures may not exceed $352.5 million. There is no provision in the Navy Contract to compensate either the Navy I or the Navy II Joint Venture for the loss of anticipated profits resulting from such termination.

The BLM Lease. On April 29, 1985 the Company and the BLM entered into a lease (the "BLM Lease"), pursuant to which the Company acquired rights to explore, develop and use the geothermal resource on 2,500 acres of land adjacent to the land covered by the Navy Contract. The primary term of the BLM Lease is ten years. The BLM Lease will extend automatically by its terms for so long as geothermal steam is produced in commercial quantities, but in any event not in excess of 40 years after the end of the initial term.

The BLM Joint Venture pays a nominal annual rent of $2 to the BLM. Royalties payable to the BLM under the BLM Lease are 10% of the amount (or value) of the steam produced, 5% of any by-products, and 5% of commercially demineralized water, payable monthly.

BLM leases which have been extended due to production of commercial quantities cannot be cancelled without a noticed hearing. BLM leases can be terminated by operation of law as follows: (i) at the anniversary date, for failure to pay the full amount of the annual rental by such date, and (ii) at the end of the primary term, if there is no production in commercial quantities, there is no producing well or actual drilling operations are not being diligently prosecuted.

SO4 POWER SALES AGREEMENTS

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Each of the Coso Joint Ventures has been assigned the rights to a long-term SO4 Agreement with SCE. The SO4 Agreements relating to the Navy I Plant, the BLM Plant and the Navy II Plant have remaining terms of approximately 17, 25 and 16 years, respectively, and provide for the payment of energy, capacity and capacity bonus payments. Energy payments are fixed for the first ten years from the date of firm power delivery (1987 for the Navy I Plant, 1989 for the BLM Plant and 1990 for the Navy II Plant), with annual increases at a specified rate, after which energy prices are based upon SCE's Avoided Cost. Average energy prices under the SO4 Agreements for 1993 for the Navy I Plant, BLM Plant and Navy II Plant were approximately 12.0 cents per kWh. For the period of January 10, 1994 through February 13, 1994, SCE's Avoided Cost was 2.9 cents per kWh (weighted average of mid-peak, off-peak and super off-peak). See "Investment Considerations--Impact of Avoided Cost Pricing." Capacity payments are fixed over the life of each contract. Additional capacity bonus payments will be paid if the plant operates above an 85% capacity utilization level. The SO4 Agreement for the Navy I Plant specifies a contract capacity of 75 MW after August 1997. The SO4 Agreements for the BLM Plant and the Navy II Plant specify a contract capacity of 67.5 MW.

FINANCIAL AND OPERATING PERFORMANCE

Set forth below are the average operating capacity factor and total sales revenues of each Coso Project facility for the years ended December 31, 1991, 1992 and 1993.

<TABLE>
<CAPTION>

	1991	1992	1993
<S>	<C>	<C>	<C>
Navy I:			
Capacity Factor (1)	98.5%	99.8%	111.2%
Revenues	$73,856	$79,694	$92,920
BLM:			
Capacity Factor (1)	71.4%	87.2%	98.1%
Revenues	$56,110	$70,212	$83,738
Navy II:			
Capacity Factor (1)	99.9%	98.1%	102.6%
Revenues	$74,580	$77,169	$86,667

</TABLE>
- --------
(1) Based on a capacity of 80 NMW for each year.

NON-RECOURSE COSO PROJECT FINANCING

In December 1992, the Coso Joint Ventures refinanced the existing bank debt of the Coso Project with the proceeds of the sale of approximately $560 million in senior secured notes (the "Coso Notes") in a private placement pursuant to Rule 144A under the Securities Act. The Coso Notes were issued by Funding Corp., a corporation owned by the Coso Joint Ventures and formed exclusively for the purpose of issuing the Coso Notes. Funding Corp. has lent the Coso Joint Ventures all of the net proceeds of the sale of the Coso Notes in loans referred to as the "Project Loans."

Of the Coso Notes originally issued in December 1992, $47.9 million in aggregate principal amount has matured and been paid in full when due. The balance of the Coso Notes bear interest at fixed rates ranging from 6.50% to 8.87% and mature on dates ranging from June 30, 1994 to December 31, 2001.

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Mandatory semiannual principal repayments are required with respect to certain of the Coso Notes. The Coso Notes are currently rated "BBB-" by Standard & Poor's Corporation, "Baa3" by Moody's Investors Service Inc., and "BBB" by Duff & Phelps Credit Rating Co.

The obligations of each Coso Joint Venture under the Project Loans are non-recourse obligations. Funding Corp. may look solely to each Coso Joint Venture's pledged assets for satisfaction of such Coso Joint Venture's Project Loan. Support loan and pledge arrangements between the Coso Joint Ventures have the effect of cross-collateralizing each Project Loan, but only to the extent of the other Coso Joint Ventures' available cash flow and, under certain circumstances, the debt service reserve funds, and not as to other assets. The Company is not liable for the repayment of the Coso Notes or the Project Loans.

The terms of the financing restrict the ability of the Coso Joint Ventures to distribute cash to their partners. In order to distribute cash, (i) no event of default may exist under the Project Loans or the Coso Notes, and no notice of such an impending event of default may have been received from the trustee under the Indenture governing the Coso Notes, (ii) certain financial ratios must be met, and (iii) certain thresholds must be met regarding the availability of adequate geothermal resource for each Coso Plant and for the Coso Project as a whole, as described in the Coso Notes Indenture. In addition, the consent of the management committee of the Coso Joint Venture is required for cash distributions.

In connection with the refinancing of the Coso Project, the Company contributed approximately $9.8 million to CEGC-Mojave Partnership ("CEGC-Mojave"), a newly formed partnership which used the proceeds to acquire an indirect limited partnership interest in Caithness Coso Holdings, L.P., a partner in the BLM Project and an affiliate of Caithness Corporation ("Caithness"), the Company's primary joint

venture partner in the Coso Project. Certain cash flows of four Caithness affiliates resulting from distributions from the Navy I, BLM and Navy II Projects have been pledged to CEGC-Mojave . Under the terms of the CEGC-Mojave partnership agreement, with certain exceptions, up to 25.0% of the cash flows related to the Caithness affiliates will be distributed to such affiliates, and the remainder will be distributed to the Company until the Company receives a return of its initial investment plus a 17.0% annual rate of return, at which time all distributions will revert to the Caithness affiliates.

Also in connection with the refinancing, the Coso Joint Ventures prepaid a portion of certain notes to the Company in respect of prior advances made by the Company to the Coso Project, and amended certain outstanding notes owing to the Company. As a result, the BLM Joint Venture and the Navy II Joint Venture have an aggregate of $19.0 million in principal amount of notes due to the Company on March 19, 2002, which bear interest at 12 1/2% annually. The notes are subordinated to the Project Loans and interest is not paid currently, but accrues on a pay-in-kind basis until final maturity.

REGULATORY AND ENVIRONMENTAL MATTERS

The Coso Joint Ventures are subject to environmental laws and regulations at the federal, state and local levels in connection with the development, ownership and operation of the plants. These environmental laws and regulations generally require that a wide variety of permits and other approvals be obtained for the construction and operation of an energy-producing facility and that the facility then operate in compliance with such permits and approvals.

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Failure to operate the facility in compliance with applicable laws, permits and approvals can result in the levy of fines or curtailment of operations by regulatory agencies.

Management of the Coso Joint Ventures believes that the Coso Joint Ventures are in compliance in all material respects with all applicable environmental regulatory requirements and that maintaining compliance with current governmental requirements will not require a material increase in capital expenditures or materially affect its financial condition or results of operations. It is possible, however, that future developments, such as more stringent requirements of environmental laws and enforcement policies thereunder, could affect the costs and the manner in which the Coso Joint Ventures conduct their businesses.

INSURANCE

The Coso Project is insured for $600.0 million per occurrence for general property damage and $600.0 million per occurrence for general property damage and business interruption, subject to a $25,000 deductible for property damage ($500,000 for turbine generator and machinery) and a 15-day deductible on business interruption. Catastrophic insurance (earthquake and flood) is capped at $200.0 million per occurrence for property damage and $200.0 million per occurrence for business interruption. Liability insurance coverage is $51.0 million (occurrence based) with a $10,000 deductible. Operators' extra expense (control of well) insurance is $10.0 million per occurrence with a $25,000 deductible, which is non-auditable. The policies are issued by international and domestic syndicates with each company rated A- or better by A.M. Best Co. Inc. There can be no assurance, however, that earthquake, property damage, business interruption or other insurance will be adequate to cover all potential losses sustained by the Company or that such insurance will continue to be available on commercially reasonable terms.

EMPLOYEES

The Coso Joint Ventures do not hire or retain any employees. All employees necessary to the operation of the Coso Project are provided by the Company under certain plant and field operations and maintenance agreements. As of December 31, 1993, the Company employed approximately 160 people at the Navy I, the BLM and the Navy II Plants, collectively.

OTHER DOMESTIC PROJECTS AND DEVELOPMENT OPPORTUNITIES

DESERT PEAK

The Company is the owner and operator of a 10 MW geothermal power plant at Desert Peak, Nevada that is currently selling electricity to Sierra Pacific Power Company under a power sales contract that expires December 31, 1995 and that may be extended on a year-to-year basis as agreed by the parties. The price for electricity under this contract is 6.3 cents per kWh, comprising an energy payment of 1.8 cents per kWh (which is adjustable pursuant to an inflation-based index) and a capacity payment of 4.5 cents per kWh. The Company is currently negotiating the terms of an extension to this contract.

ROOSEVELT HOT SPRINGS

The Company operates and owns an approximately 70% interest in a 25 MW geothermal steam field which supplies geothermal steam to a power plant owned by Utah Power & Light Company ("UP&L") located on the Roosevelt Hot Springs

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property under a 30-year steam sales contract. The Company obtained approximately $20.3 million of the cash portion of the purchase price for the properties under a pre-sale agreement with UP&L whereby UP&L paid in advance the entire purchase price for the Company's proportionate share of the steam produced by the steam field. The Company must make certain penalty payments to UP&L if the steam produced does not meet quantity and quality requirements.

YUMA

During 1992, the Company acquired a development stage 50 MW natural gas fired cogeneration project in Yuma, Arizona. The Yuma Project is designed to be a qualified facility under PURPA and to provide 50 MW (net) of electricity to SDG&E over an existing 30-year power purchase sales contract. The electricity is to be sold at SDG&E's Avoided Cost. The power will be transferred to SDG&E over transmission lines constructed and owned by Arizona Public Service Company ("APS"). A transmission agreement has been executed between APS and the Yuma Project but is subject to review by the Federal Energy Regulatory Commission.

The power sales contract with SDG&E requires the Yuma Project to commence reliable operation by December 31, 1994. The Company currently anticipates that construction will be completed by mid-year 1994. The project entity has executed steam sales contracts with an adjacent industrial entity to act as its thermal host in order to maintain its status as a qualified facility, which is a requirement of its SDG&E contract. Since the industrial entity has the right to terminate the agreement upon one year's notice if a change in its technology eliminates its need for steam, and in any case to terminate the agreement at any time upon three years notice, there can be no assurance that the Yuma Project will maintain its status as a qualified facility. However, if the industrial entity terminates the agreement, the Company anticipates that it will be able to locate an alternative thermal host in order to maintain its status as a qualified facility or build a greenhouse at the site which the Company believes would enable the project to maintain its qualified facility status. A natural gas supply and transportation agreement has been executed with Southwest Gas Corporation.

The Yuma Project is being constructed pursuant to a fixed price turnkey contract with Raytheon Engineers & Constructors for approximately $43 million, of which the Company has to date funded approximately $37 million from internal sources. The Company currently intends to fund the balance from internal sources as construction expenses are incurred.

NEWBERRY

Under a Bonneville Power Administration ("BPA") geothermal pilot program, the Company is developing a 30 MW geothermal project at Newberry, Oregon. Pursuant to a memorandum of understanding executed in January 1993, the Company has agreed to sell 20 MW of power to BPA and 10 MW to Eugene Water and Electric Board ("EWEB") from the project. In addition, BPA has an option to purchase up to an

additional 100 MW of production from the project under certain circumstances. In a public-private development effort, the Company is responsible for development, permitting, financing, construction and operation of the project (which will be 100% owned by the Company), while EWEB will cooperate in the development efforts by providing assistance with government and community affairs and sharing in the development costs (up to 30%). The project is currently expected to commence commercial operation in 1997. The memorandum of understanding provides that under certain circumstances the contracts may be

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utilized at an alternate location.

A draft environmental impact study with respect to the project was completed in January 1994 and is expected to be finalized in mid-year 1994, at which time the Company expects to commence drilling of the geothermal wells and to execute the power sales contracts, subject to obtaining all governmental permits and approvals. The Company may use a portion of the proceeds of the Offering to fund its equity investment in, and/or the construction costs of, the Newberry Project.

GLASS MOUNTAIN

In March 1993, the Company completed the acquisition of an approximate 65% interest in 26,000 acres of geothermal leaseholds at Glass Mountain in Northern California, which include three successful production wells with an aggregate existing capacity of between 15 to 30 MW. The Company believes that this acreage represents one of the finest undeveloped geothermal reservoirs in the country. The Company has attempted to negotiate the terms of a power sales contract to exploit this geothermal resource, however, no agreement exists to date.

INTERNATIONAL PROJECTS AND DEVELOPMENT OPPORTUNITIES

OVERVIEW

The Company presently believes that the international independent power market holds the majority of new opportunities for financially attractive private power development in the next several years, because the demand for new generating capacity is growing more rapidly in foreign markets, especially emerging nations, than in the United States. The World Bank estimates that developing countries will need approximately 380,000 MW of new generating capacity over the next decade. The need for such rapid expansion has forced many countries to select private power development as their only practical alternative and to restructure their legislative and regulatory schemes to facilitate such development. The Company believes that this significant need for power has created strong local support for private power projects in many foreign countries and increased the availability of long-term multilateral lending agency and foreign source financing and political risk insurance for certain international private power projects, particularly those utilizing indigenous fuel sources and renewable or otherwise environmentally responsible generating facilities. The Company intends to focus its efforts on the development, construction, ownership and operation of such projects.

In developing its international strategy, the Company intends to pursue development opportunities in countries which it believes have an acceptable risk profile and where the Company's geothermal resource development and operating experience, project development expertise or strategic relationship with Kiewit or local partners are expected to provide it with a competitive advantage. The Company is currently pursuing a number of electric power project opportunities in countries such as the Philippines and Indonesia, which have initiated private power programs and have extensive geothermal resources. The Company's development efforts include both so-called "green field" development, in which the Company attempts to negotiate unsolicited power sales contracts for new generation capacity or engages in competitive bids in response to government agency or utility requests for proposals for new capacity, as well as the acquisition of or participation in the joint development of projects which are under development or already operating. To better position itself to pursue international project development opportunities in the Asian market, the Company recently established an office in Singapore to oversee its activities in that region, including the Philippines and Indonesia. In pursuing

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international projects, the Company intends to maintain a significant equity interest in, and to operate, the projects that it develops or acquires.

[Map of Pacific Basin showing countries having geothermal resources.]

In order to compete more effectively internationally, the Company's strategy is to diversify its project portfolio, reduce its future equity commitments and leverage its capabilities in international projects by developing most international projects on a joint venture basis. To that end, the Company has recently entered into international joint venture agreements with Kiewit and Distral (two firms with extensive power plant construction experience) in an effort to augment and accelerate the Company's capabilities in foreign energy markets. Joint venture activities with Distral will be conducted in South America, Central America and the Caribbean and joint venture activities with Kiewit will be conducted in Asia (in particular the Philippines and Indonesia) and in other regions not covered by the Distral joint venture agreement. See "--International Joint Venture Agreements."

FUNDING FOR INTERNATIONAL PROJECTS

The Company intends to utilize a substantial portion of the net proceeds of the Offering to fund all or part of its equity investments in, and loans to, certain of the Company's international private power projects and related facilities. Such proceeds will give the Company the ability to bid projects without a financing contingency, to provide accelerated funding for construction and to guarantee its equity commitments, which will enhance the Company's competitive position in developing international projects. It is the Company's experience that the amount of time necessary to negotiate and conclude a construction credit facility for an international project is significantly longer than the amount of time necessary to finance an already proven and operating project. By having the financing available to commence construction as soon as the principal project contracts and permits are completed, the Company believes that it will be able to shorten the time required to bring an international power project to commercial operation.

The Company may use the proceeds of the Offering to provide a loan or other financing for a project owned by a subsidiary or eligible joint venture to fund construction of a domestic or international private power project and related facilities. The Company does not intend to permit the drawdown of such loans or other financing in any significant amount for the construction of such projects until certain project milestones have been achieved, including signing power sales contracts and financeable "turnkey" construction contracts and obtaining permits and approvals that would be required for a traditional non-recourse project financing. On or before the commencement of commercial operation of such a project, the Company intends either to

retire its construction financing with the proceeds of a third-party non-recourse project finance term loan or, if such a third-party loan is not then available on terms acceptable to the Company or is otherwise disadvantageous, to convert the construction loan into a medium or long-term facility provided by the Company.

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If the Company uses the proceeds of the Offering to provide a construction or term loan to a subsidiary or joint venture project, payment of such loan will generally be secured by substantially all the assets and cash flows of that project, although the financing structure and collateral could also take other forms such as preferred stock or partnership interests of the project entity. To the extent the Company chooses to fund all or part of the construction costs of a project on behalf of its joint venture partners, the Company intends to negotiate appropriate terms and conditions, including equity transfer restrictions and lending fees or other compensation for providing such financing. The Company has no intention of advancing any equity funds on behalf of its joint venture partners. Once construction financing made from the proceeds of this Offering has been repaid, then the Company may use those proceeds again for any of the permitted uses.

The proceeds of the Offering that are devoted to construction debt financing for, and the equity contributions to, international power projects will be subject to all of the usual risks that are inherent in project financing. In addition, international projects may involve certain additional risks that are not present to the same extent in domestic project financings, including political, currency conversion and repatriation risks. In evaluating and negotiating international projects, the Company intends to employ a strategy whereby a substantial portion of the political and financial risks are, through contract provisions or insurance coverage, borne by parties other than the Company. However, there can be no assurance that such insurance coverage or contract provisions will be available on commercially reasonable terms, or if obtained, will be performed by the parties thereto. See "Investment Considerations--Development Uncertainty" and "--Development Uncertainty Outside the United States."

The following is a brief description of the international joint ventures and project development activities that the Company has undertaken to date.

INTERNATIONAL JOINT VENTURE AGREEMENTS

As part of the Company's international development strategy, the Company recently signed separate joint venture agreements with Kiewit and Distral. These joint ventures provide the Company with strategic alliances with firms possessing unique private power and construction expertise. The Company believes these strategic joint venture relationships will augment and accelerate its development capabilities in foreign energy markets and provide it with a relative competitive advantage. In addition, the Company believes that participation in these joint ventures will help the Company to diversify its project risk profile, leverage its development capabilities and reduce future requirements to raise additional equity for the Company's projects. The Company also believes that it is important in foreign transactions to establish strong relationships with local partners (such as Distral in South America and P.T. Himpurna and P.T. ESA (each as defined below) in Indonesia) who are knowledgeable of local cultural, political and commercial practices and who provide a visible local presence and local project representation.

Kiewit Joint Venture

On December 14, 1993, the Company signed a joint venture agreement with Kiewit. Kiewit is one of the largest construction companies in North America and has been in the construction business since 1884. Kiewit is a diversified industrial company with approximately $2.0 billion in revenues in 1993 from operations in construction, mining and telecommunications. Kiewit has built a number of power plants in the United States and large infrastructure projects and industrial facilities worldwide, and owns a 36.6% beneficial interest in

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the Company.

The Kiewit joint venture agreement, which has an initial term of three years, provides each party a right of first refusal to pursue jointly all "build, own and operate" or "build, own, operate and transfer" power

projects identified by the other party or its affiliates outside of the United States, except in locations covered by the Distral joint venture agreement described below. The Kiewit joint venture agreement provides that, if both parties agree to participate in a project, they will share all development costs equally, each of the Company and Kiewit will provide 50% of the equity required for financing a project developed by the joint venture and the Company will operate and manage any such project. The agreement contemplates a joint development structure under which, on a project by project basis, the Company will be the development manager, managing partner and/or project operator, an equal equity participant with Kiewit and a preferred participant in the construction consortium and Kiewit will be an equal equity participant and the preferred turnkey construction contractor, with the construction consortium providing customary security to project lenders (including the Company) for liquidated damages and completion guarantees. The joint venture agreement may be terminated by either party on 15 days written notice, provided that such termination cannot affect the pre-existing contractual obligations of either party.

Distral Joint Venture

On December 14, 1993, the Company entered into a joint venture agreement with Distral of the Lancaster Distral Group, a South American engineering and manufacturing company. Distral, a turnkey construction contractor and manufacturer of boilers, generators and heavy equipment, has constructed, engineered or supplied equipment to numerous coal, gas and hydroelectric power plants located in Central and South America. The Company believes that, in addition to its extensive experience in energy-related business, Distral brings substantial knowledge of the customs and commercial practices in Central and South America, as well as knowledge of the general power markets and specific power project opportunities in such regions.

The joint venture agreement, which has an initial term of three years, provides that the joint venture will have the right of first refusal to jointly pursue all power projects identified by the joint venture, the Company, Distral or their affiliates (other than Kiewit) in the Caribbean, South America and that part of Central America south of Mexico. The agreement provides that the Company and Distral will share all development costs equally, if both parties agree to participate in a project. The Company is required to provide at least 50% of the equity required to finance any project developed by the joint venture; provided, however, that the Company may assign up to 50% of its equity interest in any such project to Kiewit and its affiliates. The agreement contemplates a joint development structure under which the Company and Distral will jointly operate and maintain each joint venture project, with the Company responsible for overall supervision and management. The Distral agreement may be terminated at any time by the Company or Distral, provided that such termination cannot affect the pre-existing contractual obligations of either party.

THE PHILIPPINES

The Company believes that increasing industrialization, a rising standard of living and an expanding power distribution network has significantly increased

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demand for electrical power in the Philippines. Currently, according to the 1993 Power Development Program of the National Power Corporation of the Philippines ("NAPOCOR"), demand for electricity exceeds supply. NAPOCOR has also reported that its ability to sustain current levels of electric production from existing facilities has been limited due to frequent breakdowns in many of its older electric generating plants and an extended drought, which has limited hydroelectric generation. As a result, the Philippines has experienced severe power outages, with Manila suffering significant daily brownouts during much of 1993. Although the occurrence of brownouts has been recently reduced, NAPOCOR has said that it still anticipates significant energy shortages in the future.

In 1993, the Philippine Congress, pursuant to Republic Act 7648, granted President Ramos emergency powers to remedy the Philippines' energy crisis, including authority to (i) exempt power projects from public bidding requirements, (ii) increase power rates and (iii) reorganize NAPOCOR. Until 1987, NAPOCOR had a monopoly on power generation and transmission in the Philippines. In 1987, then President Aquino issued

Executive Order No. 215, which grants private companies the right to develop certain power generation projects, such as those using indigenous energy sources on a "build-operate-transfer" or "build-transfer" basis. In 1990, the Philippine Congress enacted Republic Act No. 6957, which authorizes private development of priority infra-structure projects on a "build-operate-transfer" and a "build-transfer" basis. In addition, under that Act, such power projects are eligible for certain tax benefits, including exemption from Philippine national income taxes for at least six years and exemption from, or reimbursement for, customs duties and value added taxes on capital equipment to be incorporated into such projects.

In an effort to remedy the shortfall of electricity, the Republic of the Philippines, NAPOCOR and the Philippine National Oil Company-Energy Development Company ("PNOC-EDC") are jointly soliciting bids for private power projects. The potential Philippine indigenous resources include geothermal, hydro and coal, of which geothermal power has been identified as a preferred alternative. The Philippine Government has elected to promote geothermal power development due to the domestic availability and the minimal environmental effects of geothermal power, in addition to other forms of power production. PNOC-EDC, which is responsible for developing the Philippines' domestic energy sources, has been successful in the exploration and development of geothermal resources.

[Map of the Philippines]

The Company has been awarded and signed power contracts with PNOC-EDC for two geothermal projects, Upper Mahiao and Mahanagdong, aggregating 300 MW. The following is a summary description of certain information concerning these and other projects as it is currently known to the Company. Since these projects are still in development, however, there can be no assurance that this information will not change over time. In addition, there can be no assurance that development efforts on any particular project, or the Company's efforts generally, will be successful. These summaries also include brief descriptions of certain of the agreements material to these projects. Such summaries are qualified in their entirety by reference to such agreements.

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Upper Mahiao

The Company is negotiating the final terms of the construction and term project financing for a 120 MW geothermal project to be located in the Greater Tongonan area of the island of Leyte, Republic of the Philippines (the "Upper Mahiao Project"). The Upper Mahiao Project will be built, owned and operated by CE Cebu Geothermal Power Company, Inc. ("CE Cebu"), a Philippine corporation that will be more than 95% indirectly owned by the Company. It will sell 100% of its capacity on a "take-or-pay" basis (described below) to PNOC-EDC, which will in turn sell the power to NAPOCOR for distribution to the island of Cebu, located about 40 miles west of Leyte.

The Company estimates that Upper Mahiao will have a total project cost of approximately $226 million, including interest during construction, project contingency costs and a debt service reserve fund. A consortium of international banks is expected to provide an approximately $170 million project-financed construction loan, supported by political risk insurance from ExIm Bank. The Company expects that the term loan for the project will also be provided by ExIm Bank, and that both the construction and the term loan agreements will be executed in April 1994. Shortly thereafter, the Company expects to issue a notice to proceed to the contractor under the EPC Contract (as defined below), with commercial operations scheduled for mid-year 1996. The Company expects that a portion of the proceeds of the Offering would be used to fund all or part of its $56 million equity commitment to the Project. The Company intends to arrange for political risk insurance on this equity investment through OPIC or from governmental agencies or commercial sources.

The Upper Mahiao Project will be constructed by Ormat, Inc. ("Ormat") and its affiliates pursuant to supply and construction contracts (collectively the "Mahiao EPC Contract"), which, taken together, provide for the construction of the plant on a fixed-price, date-certain, turnkey basis. Ormat is an international manufacturer and construction contractor that builds binary geothermal turbines; it has provided its equipment to several geothermal power projects throughout the United States and internationally. The Mahiao EPC Contract provides liquidated damage protection of 30% of the Mahiao EPC Contract price. Ormat's performance under the Mahiao EPC Contract will be backed by a completion guaranty of Ormat, by letters of credit, and by a guaranty of Ormat Industries, Ltd., an Israeli corporation and the parent of Ormat, in each case for the benefit of, and satisfactory to, the Project lenders.

Under the terms of the Energy Conversion Agreement, executed on September 6, 1993 (the "Upper Mahiao ECA"), CE Cebu will build, own and operate the Project during the two-year construction period and the ten-year cooperation period, after which ownership will be transferred to PNOC-EDC at no cost. The effectiveness of the Upper Mahiao ECA is subject to the satisfaction or waiver of certain conditions prior to April 8, 1994 (subject to extension by agreement of the parties) including finalization of the principal project documents (including, a power purchase agreement between PNOC-EDC and NAPOCOR), posting by Ormat of a construction performance bond in favor of PNOC-EDC in the amount of approximately $11.8 million, obtaining permits and approvals from various Philippine governmental authorities and arranging financing commitments. In the event the parties are unable to satisfy such conditions before the agreed upon effectivity date, either party may terminate the Upper Mahiao ECA and such party shall reimburse the other party for its costs and expenses incurred in connection with such agreement.

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The Project will be located on land to be provided by PNOC-EDC at no cost; it will take geothermal steam and fluid, also provided by PNOC-EDC at no cost, and convert its thermal energy into electrical energy to be sold to PNOC-EDC on a "take-or-pay" basis. Specifically, PNOC-EDC will be obligated to pay for the electric capacity that is nominated each year by CE Cebu, irrespective of whether PNOC-EDC is willing or able to accept delivery of such capacity. PNOC-EDC will pay to CE Cebu a fee (the "Capacity Fee") based on the plant capacity nominated to PNOC-EDC in any year (which, at the plant's design capacity is approximately 95% of total contract revenues) and a fee (the "Energy Fee") based on the electricity actually delivered to PNOC-EDC (approximately 5% of total contract revenues). The Capacity Fee consists of three

separate components: a fee to recover the capital costs of the project, a fee to recover fixed operating costs and a fee to cover return on investment. The Energy Fee is designed to cover all variable operating and maintenance costs of the power plant. Payments under the Upper Mahiao ECA will be denominated in U.S. dollars, or computed in dollars and paid in Philippine pesos at the then-current exchange rate, except for the Energy Fee, which will be used to pay peso-denominated expenses. The ECA provides a mechanism to convert Philippine pesos to dollars. Significant portions of the Capacity Fee and Energy Fee will be indexed to U.S. and Philippine inflation rates, respectively. PNOC-EDC's "take-or-pay" performance requirement, and its other obligations under the Upper Mahiao ECA, are guaranteed by the Republic of the Philippines through a performance undertaking.

The payment of Capacity Fees is not excused if PNOC-EDC fails to deliver or remove the steam or fluids or fails to provide the transmission facilities, even if its failure was caused by a force majeure event. In addition, PNOC-EDC must continue to make Capacity Fee payments if there is a force majeure event (e.g., war, nationalization, etc.) that affects the operation of the Project and that is within the reasonable control of PNOC-EDC or the government of the Republic of the Philippines or any agency or authority thereof. If CE Cebu fails to meet certain construction milestones or the power plant fails to achieve 70% of its design capacity by the date that is 120 days after the scheduled completion date (as that date may be extended for force majeure and other reasons under the Upper Mahiao ECA), the Project may, under certain circumstances, be deemed "abandoned," in which case the Project must be transferred to PNOC-EDC at no cost, subject to any liens existing thereon.

PNOC-EDC is obligated to purchase CE Cebu's interest in the facility under certain circumstances, including (i) extended outages resulting from the failure of PNOC-EDC to provide the required geothermal fluid, (ii) changes in tax, environmental or other laws which would materially adversely affect CE Cebu's interest in the project, (iii) transmission failure, (iv) failure of PNOC-EDC to make timely payments of amounts due under the Upper Mahiao ECA, (v) privatization of PNOC-EDC or NAPOCOR, and (vi) certain other events. Prior to completion of the Project, the buy-out price will be equal to all costs incurred through the date of the buy-out, including all Project debt, plus an additional rate of return on equity of ten percent per annum. In a post-completion buy-out, the price will be the net present value at a ten percent discount rate of the total remaining amount of Capacity Fees over the remaining term of the Upper Mahiao ECA.

Mahanagdong

The Mahanagdong project (the "Mahanagdong Project") is expected to be a 180 MW geothermal project, which will also be located on the island of Leyte. The Mahanagdong Project will be built, owned and operated by CE Luzon Geothermal

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Power Company, Inc. ("CE Luzon"), a Philippine corporation that is currently expected to be indirectly owned as follows: 45% by the Company, 45% by Kiewit and up to 10% by another industrial company. It will sell 100% of its capacity on a take-or-pay basis (as described above for the Upper Mahiao Project) to PNOC-EDC, which will in turn sell the power to NAPOCOR for distribution to the island of Luzon.

The Company estimates that Mahanagdong will have a total project cost of approximately $310 million, including interest during construction, project contingency costs and a debt service reserve fund. The proposed capital structure is 75% debt, with a construction and term loan of approximately $225 million, and 25% equity, or approximately $85 million in equity contributions. The Company believes that political risk insurance from ExIm Bank for financing of the procurement of U.S. goods and services is available and, if appropriate, will request similar coverage from the Export-Import Bank of Japan for Japanese goods and services. The Company is in the process of arranging construction financing for the Project from a consortium of international banks, but may use some of the proceeds of this Offering to provide all or part of theinterim construction debt financing of $225 million. Construction of the Project is expected to commence in mid-year 1994, with commercial operation presently scheduled for mid-year 1997. The Company also intends to provide some or all of its approximately $40 million share of the $85 million equity

contribution from these proceeds, and to arrange for political risk insurance on this investment through OPIC or from governmental agencies or commercial sources.

The Mahanagdong Project will be constructed by a consortium consisting of Kiewit Construction Group, Inc. ("KCG") and The Ben Holt Co., Inc. ("BHCO") (the "EPC Consortium") pursuant to fixed-price, date-certain, turnkey supply and construction contracts (collectively the "Mahanagdong EPC Contract"). The obligations of the EPC Consortium under the Mahanagdong EPC Contract will be supported by letters of credit, bonds, guarantees or other acceptable security in an aggregate amount equal to approximately 30% of the Mahanagdong EPC Contract's price, plus a joint and several guaranty of each of the EPC Consortium members. KCG, a wholly-owned subsidiary of Kiewit, will be the lead member of the EPC Consortium, with an 80% interest. KCG performs construction services for a wide range of public and private customers in the U.S. and internationally. Construction projects undertaken by KCG during 1992 included: transportation projects, including highways, bridges, airports and railroads; power facilities; buildings and sewer and waste disposal systems; with the balance consisting of water supply systems, utility facilities, dams and reservoirs. KCG accounted for 80% of Kiewit's revenues, contributing $1.7 billion in revenues in 1993. KCG has an extensive background in power plant construction.

BHCO will provide design and engineering services for the EPC Consortium, holding a 20% interest. BHCO, wholly-owned by the Company, is a California based engineering firm with over 25 years of geothermal experience, specializing in feasibility studies, process design, detailed engineering, procurement, construction and operation of geothermal power plants, gathering systems and related facilities. The Company will provide a guarantee of BHCO's obligations under the Mahanagdong EPC Contract.

The terms of the Energy Conversion Agreement (the "Mahanagdong ECA"), executed on September 18, 1993, are substantially similar to those in the Upper Mahiao ECA. The Mahanagdong ECA provides for a three-year construction period,

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and its effectivity deadline date is in July 1994. All of PNOC-EDC's obligations under the Mahanagdong ECA will be guaranteed by the Republic of the Philippines through a performance undertaking. The Capacity Fees are expected to be approximately 97% of total revenues at the expected capacity levels and the Energy Fees are expected to be approximately 3% of such total revenues.

Casecnan

The Company has been granted exclusive rights to negotiate an energy sales contract with NAPOCOR and a water sales contract with the National Philippine Irrigation Administration in connection with a proposed 60 MW hydro-electric generating facility to be located in the Casecnan area on the island of Luzon. These contracts will be structured as take-or-pay capacity and energy agreements, with capacity payments representing the bulk of the revenues. Negotiations have only recently commenced on this potential project, and there can be no assurance at this time that any agreement will be reached by the parties.

INDONESIA

The Republic of Indonesia is experiencing demand for electrical power that exceeds current supply, and has a number of promising geothermal reservoirs. Recent Indonesian legislation has facilitated foreign ownership and operation of private electrical power generation and transmission facilities. The Company's subsidiaries are currently negotiating several potential project agreements for geothermal power facilities in Indonesia, and if one or more of those projects proceeds, it intends to utilize a portion of the proceeds of this Offering in connection with such projects.

[MAP OF INDONESIA]

The following is a summary description of certain information concerning these projects as it is currently known to the Company. Since these projects are still in development, however, there can be no assurance that this information will not change materially over time. In addition, there can be no assurance that development efforts on any particular project, or the Company's efforts generally, will be successful.

Dieng

Through memoranda of understanding executed by Perusahaan Pertambangan Minyak Dan Gas Bumi Negara ("Pertamina"), the Indonesian national oil company, and assigned to the Company, the Company has been awarded the exclusive right to develop geothermal resources in the Dieng region of central Java, Indonesia (the "Dieng Project"). A subsidiary of the Company has entered into a Joint Development Agreement with P.T. Himpurna Enersindo Abadi ("P.T. HEA"), its Indonesian partner, which is a subsidiary of Himpurna, an association of Indonesian military veterans, whereby the Company and P.T. HEA have agreed to work together on an exclusive basis to develop the Dieng Project (the "Dieng JV"). The Dieng JV is expected to be structured such that subsidiaries of the Company will have a 45% interest, subsidiaries of Kiewit will have the option to take a 45% interest and P.T. HEA will have a 10% interest in the Project. The Dieng JV expects to conduct geothermal exploration and development in the Dieng field, to build, own and operate power generating facilities and to sell the power generated to Perusahaan Umum Listrik Negara ("PLN"), the Indonesian

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national electric utility.

The Dieng JV and Pertamina are currently negotiating a proposed Joint Operation Contract (the "Dieng JOC") pursuant to which Pertamina would contribute the geothermal field and the wells and other facilities presently located thereon and the Dieng JV initially would build, own and operate four power production units comprising an aggregate of 220 MW. The Dieng JV will accept the field operation responsibilities and geothermal resource risk in connection with the Dieng Project, and the Dieng JV will be responsible for developing and supplying the geothermal steam and fluids required to operate the plants. The current proposed Dieng JOC would expire (subject to extension by mutual agreement) on the date which is the later of (i) 42 years following completion of well testing and (ii) 30 years following the date of commencement of commercial operation of the final unit completed. Upon the expiration of the proposed Dieng JOC, all facilities would be transferred to Pertamina at no cost. Under the proposed Dieng JOC, the Dieng JV would be required to pay Pertamina a production allowance equal to three percent of the Dieng JV's net operating income from the Dieng Project, plus a further percentage based upon the negotiated value of existing Pertamina geothermal production facilities that the Company expects will be contributed by Pertamina.

The Dieng JV and Pertamina are currently negotiating a proposed "take-or-pay" Energy Sales Contract (the "Dieng ESC") with PLN whereby PLN would agree to purchase and pay for all electricity delivered or capacity made available from the Dieng Project for a term equal to that of the Dieng JOC. Under the current draft, the price paid for electricity would equal a base energy price per kWh multiplied by the number of kWh the plants deliver or are "capable of delivering," whichever is greater. Electricity revenue payments would also be adjusted for inflation and fluctuations in exchange rates.

Assuming execution of the Dieng JOC and the Dieng ESC, the Company presently intends to begin well testing by the second quarter of 1994 and to commence construction of an initial 55 MW unit in the fourth quarter of 1994, and then to proceed on a modular basis with construction of three additional units to follow shortly thereafter, resulting in an aggregate first phase at this site of 220 MW. The Company estimates that the total project cost of these units will be approximately $450 million. The Company anticipates that the Dieng Project will be designed and constructed by a consortium consisting of KCG and BHCO, and that the Company (through a subsidiary) will be responsible for operating and managing the Dieng Project.

The Dieng field has been explored domestically for over 20 years and BHCO has been active in the area for more than five years. The Company has a significant amount of data, which it believes to be reliable as to the production capacity of the field. However, a number of significant steps, both financial and operational, must be completed before the Dieng Project can proceed. These steps, none of which can be assured, include obtaining required regulatory permits and approvals, entering into the Dieng JOC, undertaking and completing the well testing contemplated by the Dieng JOC, entering into the Dieng ESC, the construction agreement and other project contracts and arranging financing.

Patuha

The Company has also negotiated a memorandum of understanding and expects to execute a definitive agreement with Pertamina for the exclusive geothermal development rights with respect to the Patuha geothermal field in Java, Indonesia (the "Patuha Project"). The Company has entered into an agreement to establish a joint venture for Patuha with P.T. Enerindo Supra Abadi, an

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Indonesian company ("P.T. ESA") (the "Patuha JV"). P.T. ESA is an affiliate of the Bukaka Group, which has extensive experience in general construction, fabrication and electrical transmission construction in Indonesia. In exchange for project development services, P.T. ESA is expected to receive a 10% equity interest in the Patuha Project with an option to acquire an additional 20% interest for cash upon the satisfaction of certain conditions. Subject to the exercise of that option, subsidiaries of the Company will have a 45% interest and subsidiaries of Kiewit will have the option to take a 45% interest in the Patuha Project.

The Patuha JV is currently negotiating both a joint operation contract ("JOC") and an energy sales contract ("ESC"), each of which currently contains terms substantially similar to those described above for the Dieng Project. The Patuha JV presently intends to proceed on a modular basis like the Dieng Project,

with an initial 55 MW unit to be built followed by three additional units, in total aggregating 220 MW. The Company estimates that the total cost of these four units will be approximately $450 million. Assuming execution of both a JOC and an ESC, field development is expected to commence in the first quarter of 1995 with construction of the first unit expected to begin by mid-year 1996.

The Patuha Project remains subject to a number of significant uncertainties, as described above in connection with the Dieng Project, and there can be no assurance that the Patuha Project will proceed or reach commercial operation.

Lampung/South Sumatra

The Company and P.T. ESA have also formed a joint venture (the "Lampung JV") to pursue development of geothermal resources in the Lampung/South Sumatra regions (the "Lampung Project"). The Lampung JV is presently exploring several geothermal fields in this region and is negotiating a memorandum of understanding for a JOC and ESC for these prospects containing terms substantially similar to those described above for the Dieng Project.

The Company presently intends to develop the Lampung Project and other possible Indonesian projects using a structure similar to that contemplated for the Dieng Project, with the same construction consortium, similar equipment and similar financing arrangements.

The Lampung Project remains subject to a number of significant uncertainties, as described above for the Dieng Project, and there can be no assurance that the Company will pursue the Lampung Project or that it will proceed or reach commercial operation.

LEGAL PROCEEDINGS

The Company is not a party to any material legal proceedings.

MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

The current directors and executive officers of the Company and their positions with the Company as of March 1, 1994 are as follows:

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<TABLE>
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NAME	AGE	POSITION
<S>	<C>	<C>
Richard R. Jaros.....	42	Chairman of the Board, Director
David L. Sokol.....	37	President and Chief Executive Officer, Director
Gregory E. Abel.....	31	Assistant Vice President and Controller
Edward F. Bazemore.....	57	Vice President, Human Resources
David W. Cox.....	38	Vice President, Legislative and Regulatory Affairs
Philip E. Essner.....	51	Vice President, Land Management and Insurance
Vincent R. Fesmire.....	53	Vice President, Development and Implementation
Thomas R. Mason.....	50	Senior Vice President, Project Development and Operations
Steven A. McArthur.....	36	Senior Vice President, General Counsel and Secretary
Donald M. O'Shei, Sr.	60	Vice President; President, California Energy International Ltd.
John G. Sylvia.....	36	Vice President, Chief Financial Officer and Treasurer
Edgar D. Aronson.....	59	Director
Judith E. Ayres.....	49	Director
Harvey F. Brush.....	73	Director
James Q. Crowe.....	44	Director
Richard K. Davidson.....	52	Director
Ben M. Holt.....	79	Director
Everett B. Laybourne.....	82	Director
Daniel J. Murphy.....	72	Director
Herbert L. Oakes, Jr.	47	Director
Walter Scott, Jr.	62	Director
Barton W. Shackelford.....	73	Director
David E. Wit.....	31	Director

</TABLE>

Set forth below is certain information with respect to each director and executive officer of the Company:

RICHARD R. JAROS, Chairman of the Board and Director. Mr. Jaros has been a director of the Company since March 1991. Mr. Jaros has served as Chairman of the Board since April 19, 1993 and served as President and Chief Operating Officer of the Company from January 8, 1992 to April 5, 1993. From 1990 until January 8, 1992, Mr. Jaros served as a Vice President of Kiewit and is currently an Executive Vice President and a director of Kiewit. Mr. Jaros serves as a director of MFS Communications Company, Inc., and C-Tec Corporation, both of which are publicly traded companies in which Kiewit holds a majority ownership interest. From 1986 to 1990, Mr. Jaros served as a Vice President for Mergers and Acquisitions for Kiewit Holdings, a subsidiary of Kiewit.

DAVID L. SOKOL, President, Chief Executive Officer and Director. Mr. Sokol has been a director of the Company since March 1991 and has served as President and Chief Executive Officer of the Company since April 19, 1993. Mr. Sokol was

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Chairman, President and Chief Executive Officer of the Company from February 1991 until January 1992. Mr. Sokol was the President and Chief Operating Officer of, and a director of, JWP, Inc., from January 27, 1992 to October 1, 1992. From November 1990 until February 1991, Mr. Sokol was the President and Chief Executive Officer of Kiewit Energy, a subsidiary of Kiewit and the Company's largest shareholder. From 1983 to November 1990, Mr. Sokol was the President and Chief Executive Officer of Ogden Projects, Inc.

GREGORY E. ABEL, Assistant Vice President and Controller. Mr. Abel joined the Company in 1992. Mr. Abel is a Chartered Accountant and from 1984 to 1992 he was employed by Price Waterhouse. As a Manager in the San Francisco office of Price Waterhouse, he was responsible for clients in the energy industry.

EDWARD F. BAZEMORE, Vice President, Human Resources. Mr. Bazemore joined the Company in July 1991. From 1989 to 1991, he was Vice President, Human Resources, at Ogden Projects, Inc. in New Jersey. Prior to that, Mr. Bazemore was Director of Human Resources for Ricoh Corporation, also in New Jersey. Previously, he was Director of Industrial Relations for Scripto, Inc. in Atlanta, Georgia.

DAVID W. COX, Vice President, Legislative and Regulatory Affairs. Mr. Cox joined the Company in 1990. From 1987 to 1990, Mr. Cox was Vice President with Bank of America N.T.& S.A. in the Consumer Technology and Finance Group. From 1984 to 1987, Mr. Cox held a variety of management positions at First Interstate Bank.

PHILIP E. ESSNER, Vice President, Land Management and Insurance. Mr. Essner administers the Company's geothermal lease acquisition and land position programs, and obtains permits from regulatory agencies. He has been a Vice President of the Company since 1983.

VINCENT R. FESMIRE, Vice President, Development and Implementation. Mr. Fesmire joined the Company in October 1993. Prior to joining the Company, Mr. Fesmire was employed for 19 years with Stone & Webster, an engineering firm serving in various management level capacities, with an expertise in geothermal design engineering.

THOMAS R. MASON, Senior Vice President, Project Development and Operations. Mr. Mason joined the Company in March 1991. From October 1989 to March 1991, Mr. Mason was Vice President and General Manager of Kiewit Energy. Mr. Mason acted as a consultant in the energy field from June 1988 to October 1989. Prior to that, Mr. Mason was Director of Marketing for Energy Factors, Inc., a non-utility developer of power facilities.

STEVEN A. McARTHUR, Senior Vice President, General Counsel and Secretary. Mr. McArthur joined the Company in February 1991. From 1988 to 1991, he was an attorney in the Corporate Finance Group at Shearman & Sterling in San Francisco. From 1984 to 1988 he was an attorney in the Corporate Finance Group at Winthrop, Stimson, Putnam & Roberts in New York.

DONALD M. O'SHEI, SR., Vice President; President, California Energy International, Ltd. General O'Shei was in charge of engineering and operations for the Company from October 1988 until October 1991. He rejoined the Company as a Vice President in August 1992. Previously he was President and Chief Executive Officer of AWD Technologies, Inc., a hazardous waste remediation firm, and President and General Manager of its predecessor company, Atkinson-Woodward Clyde. He was a brigadier general in the U.S. Army prior to joining the Guy F. Atkinson Co. in 1982 as Director of Corporate Planning and Development.

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JOHN G. SYLVIA, Vice President, Chief Financial Officer and Treasurer. Mr. Sylvia joined the Company in 1988. From 1985 to 1988, Mr. Sylvia was a Vice President in the San Francisco office of the Royal Bank of Canada, with responsibility for global corporate finance and capital markets banking. In addition, from 1986 to 1990, Mr. Sylvia served as an Adjunct Professor of Applied Economics at the University of San Francisco. From 1982 to 1985, Mr. Sylvia was a Vice President with Bank of America.

EDGAR D. ARONSON. Mr. Aronson has been a director of the Company since April 1983. Mr. Aronson founded EDACO Inc., a private venture capital company, in 1981; and has been President of EDACO since that time. Mr. Aronson was Chairman of Dillon, Read International from 1979 to 1981 and a General Partner in charge of the International Department at Salomon Brothers Inc from 1973 to 1979.

JUDITH E. AYRES. Ms. Ayres has been a director of the Company since July 1990. Since 1989 Ms. Ayres has been Principal of The Environmental Group, an environmental and management consulting firm in San Francisco, California. From 1988 to 1989, Ms. Ayres was Vice President/Principal of William D. Ruckelshaus Associates, an environmental consulting firm. From 1983 to 1988 Ms. Ayres was the Regional Administrator of Region 9 (Arizona, California, Hawaii, Nevada and the Western Pacific Islands) of the United States Environmental Protection Agency.

HARVEY F. BRUSH. Mr. Brush has been a director of the Company since July 1990. Mr. Brush served on an interim basis as President and Chief Operating Officer of the Company from January 25, 1991 until February 19, 1991. Prior to his retirement in 1986, Mr. Brush was for several years Executive Vice President of Bechtel Group, Inc., a construction company.

JAMES Q. CROWE. Mr. Crowe has been a director of the Company since March 1991. Mr. Crowe is Chairman and Chief Executive Officer of MFS Communications Company, Inc., a wholly-owned subsidiary of Kiewit. Prior to assuming his current position in 1991, Mr. Crowe was President of Kiewit Industrial Company, a major subsidiary of Kiewit. Before joining Kiewit in 1986, Mr. Crowe was Group Vice President, Power Group at Morrison-Knudsen Corporation. Mr. Crowe is a director of C-Tec Corporation, a publicly traded company in which Kiewit holds a majority ownership interest.

RICHARD K. DAVIDSON. Mr. Davidson was appointed a Director of the Company in March 1993. Mr. Davidson has been Chairman and Chief Executive Officer of Union Pacific Railroad since 1991. From 1989 to 1991 he was Executive Vice President--Operations of Union Pacific Railroad, and from 1986 to 1989 he was Vice President--Operations of Union Pacific Railroad. Mr. Davidson is also a director of FirsTier Financial Inc., Chicago & Northwestern Holdings Corporation and Missouri Pacific Railroad Company.

BEN M. HOLT. Mr. Holt was elected to the Board of Directors in September 1993. Mr. Holt is the founder, and was Chairman and Chief Executive Officer of The Ben Holt Co., an engineering firm located in Pasadena, California, which the Company acquired in September 1993. Mr. Holt retired as Chairman and CEO of The Ben Holt Co. in December 1993 and is currently a consultant to the Company.

EVERETT B. LAYBOURNE. Mr. Laybourne has been a director of the Company since May 1988. For many years he served as counsel for a number of major publicly-held corporations. He also presently serves as Vice President and Trustee of The Ralph M. Parsons Foundation and as National Board Chairman of WAIF, Inc. From 1969 to 1988, Mr. Laybourne was a senior partner in the law firm of

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MacDonald, Halsted & Laybourne in Los Angeles, California, whose successor firm is Baker & McKenzie for which he served as of counsel for five years. He continues to practice law in Los Angeles.

DANIEL J. MURPHY. Adm. Murphy, USN (RET.), has been a director of the Company since January 1988. He is Chairman and President of Murphy and Associates, consultants in domestic and foreign affairs. Prior to forming Murphy and Associates in September 1992, Admiral Murphy was Chairman and co-owner of Murphy & Demory, Ltd., a consulting firm in foreign and domestic affairs. Prior to that, Adm. Murphy was the Vice Chairman of Hill & Knowlton Public Affairs Worldwide, in charge of the International Division. Prior to that he was Vice Chairman of Gray & Co., a public relations firm in Washington, D.C.

HERBERT L. OAKES, JR. Mr. Oakes has been a director of the Company since October 1987. In 1982, Mr. Oakes founded and became President of H.L. Oakes & Co., Inc., a corporate advisor and dealer in securities. From 1988 to the present, Mr. Oakes has served as Managing Director of Oakes, Fitzwilliams Co., Limited, a member of the Securities and Futures Authority Limited and The London Stock Exchange. Mr. Oakes is a director of Shared Technologies, Inc., Harcor Energy Inc. and New World Power Corporation.

WALTER SCOTT, JR. Mr. Scott has been a director of the Company since June 1991, and served as Chairman and Chief Executive Officer of the Company from January 8, 1992 to April 5, 1993. Mr. Scott is Chairman and President of Kiewit, a position he has held since 1979. Mr. Scott is a director of Berkshire Hathaway, Inc., Burlington Resources, Inc., Canadian Imperial Bank of Commerce, ConAgra, Inc., FirsTier Financial Inc., and Valmont Industries, Inc. Mr. Scott also serves as a director of MFS Communications Company, Inc. and C-Tec Corporation, both subsidiaries of Kiewit.

BARTON W. SHACKELFORD. Mr. Shackelford has been a director of the Company since June 1986. Mr. Shackelford served as President and a director of Pacific Gas & Electric Company from 1979 until his retirement in 1985. He is a director of Harding Associates, Inc.

DAVID E. WIT. Mr. Wit has been a director of the Company since April 1987. He is a co-chief executive officer of LOGICAT, INC., a software publishing firm. Prior to working at LOGICAT, Mr. Wit worked at E.M. Warburg, Pincus & Company, where he analyzed seed-stage financing and technology investments.

SECURITY OWNERSHIP OF SIGNIFICANT STOCKHOLDERS AND MANAGEMENT

The following table sets forth certain information with respect to all stockholders known by the Company to beneficially own more than 5% of either of the Company's common stock (the "Common Stock") or Series C redeemable preferred stock, and certain information with respect to the beneficial ownership of Common Stock of each director of the Company and certain executive officers of the Company (and all directors and executive officers of the Company, as a group). All information is as of December 31, 1993, unless otherwise indicated.

<TABLE>
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	NUMBER OF SHARES	PERCENTAGE

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NAME OF BENEFICIAL OWNER	BENEFICIALLY OWNED(1)	OF CLASS(1)
<S>	<C>	<C>
SERIES C REDEEMABLE PREFERRED STOCK:		
Kiewit Energy Company.....	1,180	100%
COMMON STOCK:		
Kiewit Energy Company (2).....	16,146,892	36.57%
Merrill Lynch & Co., Inc. (3).....	2,249,210	6.35%
The Equitable Companies, Inc. (4).....	2,027,182	5.72%
Forstmann-Leff Associates Inc.(5).....	1,829,235	5.10%
Edgar D. Aronson.....	47,000	0.13%
Judith E. Ayres.....	50,000	0.14%
Harvey F. Brush.....	--	--
James Q. Crowe.....	10,000	0.03%
Richard K. Davidson.....	30,000	0.08%
Ben Holt.....	89,372	0.25%
Richard R. Jaros.....	252,891	0.71%
Everett B. Laybourne.....	17,589	0.05%
Thomas R. Mason.....	50,086	0.14%
Steven A. McArthur.....	65,920	0.19%
Daniel J. Murphy.....	--	--
Donald M. O'Shei, Sr.	36,985	0.10%
Herbert L. Oakes, Jr. (6).....	61,365	0.17%
Walter Scott, Jr.	10,000	0.03%
Barton W. Shackelford.....	2,660	0.01%
David L. Sokol.....	362,142	1.01%
John G. Sylvia.....	57,462	0.16%
David E. Wit (7).....	37,774	0.11%
All directors and executive officers as a group (18 persons).....	1,181,246	3.24%

</TABLE>

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(1) Includes shares of which the listed beneficial owner is deemed to have the right to acquire beneficial ownership under Rule 13d-3(d) under the Exchange Act, including, among other things, shares which the listed beneficial owner has the right to acquire within 60 days.

(2) Includes the 7,436,112 shares of Common Stock held by Kiewit Energy on October 29, 1992, the date of Amendment No. 6 to its Schedule 13D, and, as of December 31, 1993, options to purchase an additional 5,500,000 shares of Common Stock and 3,210,780 shares of Common Stock into which the 1,180 shares of Series C Redeemable Preferred Stock held by Kiewit Energy are convertible.

(3) According to a Schedule 13G filed by such parties in February 1994, includes shares registered in the names of Merrill Lynch & Co., Inc., Merrill Lynch Group, Inc., Princeton Services, Inc. and Merrill Asset Management, L.P.

(4) According to a Schedule 13G filed by such parties in February 1994, includes shares registered in the names of The Equitable Companies Incorporated, Axa Assurances I.A.R.D. Mutuelle, Axa Assurances Vie Mutuelle, Alpha Assurances I.A.R.D. Mutuelle, Alpha Assurances Vie Mutuelle, Uni Europe Assurance Mutuelle and Axa.

(5) According to a Schedule 13G filed by such parties in February 1994, includes shares registered in the name of Forstmann-Leff Associates Inc., FLA Asset Management, Inc. and Stamford Advisors Corp.

(6) Includes 9,093 shares registered in the name of H.L. Oakes & Co., Inc., a company of which Mr. Oakes is a director and of which his wife is a principal stockholder, 4,746 shares owned by Mr. Oakes' wife and 4,996 shares registered to H.L. Oakes, trustee for Harrison Oakes, Mr. Oakes' minor son. Mr. Oakes disclaims beneficial ownership of all of such shares.

(7) Includes 3,748 shares held jointly with Mr. Wit's spouse.

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CERTAIN TRANSACTIONS AND RELATIONSHIPS

TRANSACTIONS AND RELATIONSHIPS WITH KIEWIT AND ITS AFFILIATES

Stock Purchase and Related Agreements

The Company and Kiewit Energy are parties to a stock purchase agreement and related agreements, dated as of February 18, 1991, pursuant to which Kiewit Energy purchased 4,000,000 shares of Common Stock at $7.25 per share and received options to buy 3,000,000 shares of Common Stock at a price of $9.00 per share exercisable over three years, and an additional 3,000,000 shares of Common Stock at a price of $12.00 per share exercisable over five years (subject to customary adjustments).

In connection with such stock purchase, the Company and Kiewit Energy also entered into certain other agreements pursuant to which, among other things, (i) Kiewit Energy and its affiliates agreed, subject to certain conditions, not to acquire more than 34% of the outstanding Common Stock (the "Standstill Percentage") for a five-year period, (ii) Kiewit Energy became entitled to nominate at least three of the Company's directors, (iii) Kiewit Energy agreed that Kiewit and its affiliates would present to the Company any opportunity to acquire, develop, operate or own a geothermal resource or geothermal power plant, and (iv) the Company and Kiewit Energy agreed to use their best efforts to negotiate and execute a definitive joint venture agreement relating to the development of certain geothermal properties in Nevada and Utah. Messrs. Crowe, Jaros and Scott are the current Board nominees of Kiewit Energy.

In June 19, 1991, the Board of Directors approved a number of amendments to the stock purchase agreement and the related agreements. Pursuant to such amendments, the Company reacquired from Kiewit Energy the rights to develop the Nevada and Utah properties, and Kiewit Energy agreed to exercise options to acquire 1,500,000 shares of Common Stock at $9.00 per share, providing the Company with $13.5 million in cash. The Company also extended the term of the $9.00 and $12.00 options to seven years, modified certain of the other terms of these options, granted to Kiewit Energy an option to acquire an additional 1,000,000 shares of the outstanding Common Stock at a price of $11.625 per share exercisable over ten years (the closing price for the shares on the American Stock Exchange on June 18, 1991), and increased the Standstill Percentage from 34% to 49%.

Joint Venture Agreements

The Company entered into a joint venture agreement with Kiewit on December 14, 1993. The agreement provides a framework for the joint development of power projects located in the Philippines, Indonesia and countries outside the region covered by the joint venture agreement between the Company and Distral. See "Business--International Projects and Development Opportunities--International Joint Venture Agreements."

Other Transactions

Gilbert Industrial. Commencing in 1991, Gilbert Industrial Corporation ("Gilbert"), a wholly-owned subsidiary of Kiewit, constructed modifications to the geothermal power production facility owned by the BLM Joint Venture. Through the year ended December 31, 1993, the Company's portion of amounts paid by the BLM Joint Venture to Gilbert under this contract was approximately $3.6 million.

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Aircraft Lease. The Company is subleasing to Midwest Aviation, a division of a subsidiary of Kiewit, an airplane leased by the Company from an unaffiliated third-party aircraft lessor (the "Lessor"). The Company pays monthly lease payments of $38,669 to the Lessor. Midwest Aviation, in turn, pays monthly sublease payments of $25,000 to the Company. Both the lease and the sublease terminate on July 31, 1995. Upon termination of the lease, the Company has the right to purchase the aircraft; Midwest Aviation, in turn, has the right to purchase the aircraft from the Company for the price paid by the Company.

The Company believes that the terms of the engineering and construction contracts and sublease described above are comparable to available terms in similar transactions with unaffiliated third parties.

CERTAIN RELATIONSHIPS

Mr. Scott, a director of the Company, is also the Chairman and President of Kiewit, and owns Kiewit stock. Mr. Crowe, a director of the Company, is the Chairman and President of MFS, a subsidiary of Kiewit, and owns shares of Kiewit's common stock. Mr. Jaros, the Chairman and a Director of the Company, is an officer and director of Kiewit and owns shares of Kiewit's common stock.

Ben Holt, a director of the Company, provides consulting and other services to the Company for an annual fee of $75,000 pursuant to the terms of a consulting agreement which expires in 1998. The Company believes the terms of this agreement are comparable to those in similar transactions with unaffiliated third parties.

CERTAIN TRANSACTIONS AND RELATIONSHIPS WITH OTHERS

The Company retained the law firm of Baker & McKenzie during the first half of 1993. Everett B. Laybourne, a director of the Company, was of counsel to the Los Angeles office of Baker & McKenzie. The Company paid to Baker & McKenzie a total of approximately $615,636 in legal fees during 1993.

The Company believes that the fees payable to Baker & McKenzie are comparable to fees that would be payable in similar transactions with unaffiliated third parties.

DESCRIPTION OF THE NOTES

The Notes will be issued under an Indenture (hereinafter referred to as the "Indenture") dated as of , 1994 between the Company and IBJ Schroder Bank & Trust Company (hereinafter referred to as the "Trustee"). A copy of the form of the Indenture will be filed as an exhibit to the Registration Statement of which this Prospectus is a part. The following summary of certain provisions of the Indenture does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the Indenture, including the definitions of certain terms therein and those terms made a part thereof by the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"). Wherever particular Sections or defined terms of the Indenture are referred to, such Sections or defined terms are incorporated herein by reference. A summary of certain defined terms used in the Indenture and referred to in the following summary description of the Notes is set forth below under "Certain Definitions."

GENERAL

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The Notes will be senior, unsecured obligations of the Company, will rank pari passu with all other senior unsecured indebtedness of the Company, will be limited to $ million aggregate principal amount and will mature on January 15, 2004.

The principal of, premium, if any, and any interest on the Notes will be payable, and the Notes may be exchanged or transferred, at the office or agency of the Company in the Borough of Manhattan, The City of New York (which initially will be the corporate trust office of the Trustee), or at such additional offices or agencies as the Company from time to time may designate for such purpose. At the option of the Company, payment of interest may be made by check mailed to the address of the Person entitled thereto as such address may appear in the Security Register. While the Notes are represented by Global Notes, the Company will make payments of principal and interest by wire transfer to the Depositary or its nominee, as the case may be, which will distribute payments to beneficial holders in accordance with its customary procedures. The Notes (other than Global Notes and beneficial interests therein) are transferable and exchangeable at the office of the Security Registrar. The Company has initially appointed the Trustee as the Paying Agent and the Security Registrar.

The Notes will be issued at an original issue discount to their principal amount to generate gross proceeds to the Company of approximately $ million. Discount on the Notes will accrete at a rate of %, compounded semi-annually on each January 15 and July 15, to an aggregate principal amount of $ million by January 15, 1997. Thereafter, cash interest on the Notes will accrue at the rate of % per annum and will be payable semi-annually in arrears on each January 15 and July 15, commencing July 15, 1997, to the Holders thereof at the close of business on the preceding January 1 and July 1, respectively. Interest on overdue principal and (to the extent permitted by applicable law) on overdue interest will accrue at a rate of 1% in excess of the rate per annum borne by the Notes. Interest on the Notes will be computed on the basis of a 360-day year of 12 30-day months.

The Notes will be issued without coupons and in fully registered form only in denominations of $1,000 and integral multiples thereof.

The Company is subject to the informational reporting requirements of Sections 13 and 15(d) under the Exchange Act and, in accordance therewith, files certain reports and other information with the Commission. See "Available Information." In addition, if Sections 13 and 15(d) cease to apply to the Company, the Company will covenant in the Indenture to file comparable reports and information with the Trustee and the Commission, and mail such reports and information to Noteholders at their registered addresses, for so long as any Notes remain outstanding.

OPTIONAL REDEMPTION

The Notes may be redeemed at the Company's option, in whole or in part, at any time on or after January 15, 1999 and prior to maturity, upon not less than 30 nor more than 60 days' prior notice, at the following redemption prices (expressed in percentages of principal amount), plus accrued interest (if any) to the date of redemption, if redeemed during the 12-month period commencing on or after January 15 of the years set forth below:

<TABLE>

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<CAPTION>

YEAR	REDEMPTION PRICE
<S>	<C>
1999.....	
2000.....	
2001 and thereafter.....	100%

</TABLE>

If less than all the outstanding Notes are to be redeemed, the Notes or portions of Notes to be redeemed will be selected by the Trustee pro rata or otherwise in such manner as the Trustee deems to be fair and appropriate in the circumstances.

The Notes will not be subject to any mandatory sinking fund.

RANKING

The Notes will be general, unsecured senior obligations of the Company and will rank pari passu with all other unsecured senior indebtedness of the Company. As of December 31, 1993, the Company's total consolidated indebtedness was $382.6 million (excluding deferred income and redeemable preferred stock), its total consolidated assets were $716.0 million and its stockholders' equity was $211.5 million. At such date, on a pro forma basis, after giving effect to the completion of this Offering and the Company's planned defeasance of its Senior Notes, the Company's total consolidated indebtedness (excluding deferred income and redeemable preferred stock) would have been $746.9 million, its total consolidated assets would have been $1,077.0 million and its stockholders' equity would have been $209.2 million. See "Capitalization" and "Selected Historical Consolidated Financial and Operating Data." The Indenture does not limit the amount of Non-Recourse Debt which may be incurred by the Company or at the subsidiary or project level. As a result, the Notes are effectively subordinated to any secured Non-Recourse Debt of the Company and to

indebtedness and other obligations of the Company's subsidiaries and the partnerships and joint ventures in which the Company has direct or indirect interests. See "Investment Considerations--High Leverage; Additional Debt Permitted at Subsidiary or Project Level; Priority of Project Debt."

GLOBAL NOTES

The Notes will be issued in the form of registered global notes (the "Global Notes") that will be deposited with, or on behalf of, The Depository Trust Company, New York, New York (the "Depositary") and registered in the name of the Depositary's nominee. Unless and until exchanged in whole or in part for Notes in certificated registered form, the Global Notes may not be transferred except as a whole by the Depositary to another nominee of the Depositary or to a successor depositary or a nominee of such successor.

Upon the issuance of the Global Notes, the Depositary will credit on its book-entry registration and transfer system, the principal amount of the Notes represented by the Global Notes to accounts of participant institutions that have accounts with the Depositary. The accounts to be credited shall be designated by the Underwriters, dealers or agents. Owners of beneficial interests in the Global Notes that are not participants or Persons that may hold through participants but desire to purchase, sell or otherwise transfer ownership of the Notes by book-entry on the records of the Depositary may do so only through participants and Persons that may hold through participants.

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Because the Depositary can only act on behalf of participants and Persons that may hold through participants, the ability of an owner of a beneficial interest in the Global Notes to pledge Notes to Persons that do not participate in the book-entry and transfer system of the Depositary, or otherwise take actions in respect of such Notes, may be limited. In addition, the laws of some states require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and such laws may impair the ability to transfer or pledge beneficial interests in the Global Notes.

So long as the Depositary, or its nominee, is the registered owner of a Global Note, the Depositary or its nominee, as the case may be, will be considered the sole owner or Holder of such Global Note for all purposes under the Indenture. Except as provided below, owners of beneficial interests in a Global Note will not be entitled to have Notes registered in their name, will not receive or be entitled to receive physical delivery of the Notes in certificated form and will not be considered the owners or Holders thereof under the Indenture.

Accordingly, each Person owning a beneficial interest in a Global Note must rely on the procedures of the Depositary and, if such Person is not a participant, on the procedures of the participant through which such Person owns its interest, to exercise any rights of a Holder under the Indenture. The Company understands that under existing industry practices, in the event that the Company requests any action of Holders or that an owner of a beneficial interest in such Global Note desires to take any action that the Depositary, as the Holder of the Global Notes is entitled to take under the Indenture, the Depositary would authorize the participants holding the relevant beneficial interests to take such action, and such participants would authorize beneficial owners holding through such participants to take such action or would otherwise act upon the instructions of beneficial owners holding through them.

Payment of principal of and interest on the Global Notes will be made to the Depositary or its nominee, as the case may be, as the sole registered owner of the Global Notes. None of the Company, 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 the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Depositary has advised the Company and the Trustee that its current practice is upon receipt of any payment of principal, premium, if any, or interest, if any, to immediately credit the accounts of the participants with such payment in amounts proportionate to their respective holdings in principal amount of beneficial interest in the Global Notes as shown in the records of the Depositary. Payments by participants to owners of beneficial interests in the Global Notes held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in "street name", and will be the responsibility of such participants. Owners of beneficial interests in the Global Notes that hold through the Depositary under a book-entry format (as opposed to holding certificates directly) may experience some delay in the receipt of interest payments since the Depositary will forward payments to its participants, which in turn will forward them to Persons that hold through participants or such owners.

If the Depositary is at any time unwilling or unable to continue as depositary and a successor depositary is not appointed by the Company or the

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Depositary within ninety days, the Company will issue Notes in definitive form in exchange for the Global Notes. In addition, the Company or the Depositary may at any time and in its sole discretion determine not to have the Notes represented by the Global Notes and, in such event, the Company will issue Notes in definitive form in exchange for the Global Notes. In either instance, an owner of a beneficial interest in the Global Notes will be entitled to have Notes equal in principal amount to such beneficial interest registered in its name and will be entitled to physical delivery of such Notes in definitive form. Notes so issued in definitive form will be issued in denominations of $1,000 and integral multiples thereof and will be issued in registered form only, without coupons.

The Depositary has advised the Company and the Underwriters as follows: The Depositary is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. The Depositary was created to hold securities of participants and to facilitate the clearance and settlement of securities transactions among the participants in deposited securities through electronic book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. Participants include securities brokers and dealers (including the Underwriters), banks, trust companies, clearing corporations and certain other organizations, some of which (and/or their representatives) own the Depositary. Access to the Depositary's book-entry system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly ("indirect participants"). Persons who are not participants may beneficially own securities held by the Depositary only through participants or indirect participants. The rules applicable to the Depositary and the participants are on file with the Commission. The Depositary agrees with and represents to its participants that it will administer its book-entry system in accordance with its rules and bylaws and requirements of law.

CERTAIN COVENANTS

The Indenture will contain certain covenants, including the ones summarized below, which covenants will be applicable (unless they are waived or amended or unless the Notes are defeased, see "Defeasance" below) so long as any of the Notes are outstanding.

Limitation on Debt

The Company will not Incur any Debt, including Acquisition Debt, unless, after giving effect to the Incurrence of such Debt and the receipt and application of the proceeds therefrom, the Fixed Charge Ratio of the Company would be equal to or greater than 2.0 to 1.

Notwithstanding the foregoing, the Company may Incur each and all of the following: (i) Company Refinancing Debt, (ii) Debt of the Company to any of its Restricted Subsidiaries or any Eligible Joint Venture that is expressly subordinated in right of payment to the Notes, provided that any transfer of such Debt by a Restricted Subsidiary or an Eligible Joint Venture (other than to another Restricted Subsidiary or another Eligible Joint Venture), or any transfer of the Company's ownership interest, or a portion thereof, in such Restricted Subsidiary or such Eligible Joint Venture or the interest, or a portion thereof, of Kiewit in a Permitted Joint Venture or an Eligible Joint Venture (which transfer has the effect of causing such Restricted Subsidiary or

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such Eligible Joint Venture to cease to be a Restricted Subsidiary or an Eligible Joint Venture, as the case may be), will be deemed to be an Incurrence of Debt that is subject to the provisions of this covenant other than this clause (ii), (iii) Debt in an aggregate principal amount not to exceed $50 million outstanding at any one time may be issued under or in respect of Permitted Working Capital Facilities, (iv) Non-Recourse Debt Incurred in respect of a Permitted Facility in which the Company has a direct interest, (v) Debt in respect of Currency Protection Agreements or Interest Rate Protection Agreements, (vi) Purchase Money Debt, provided that the amount of such Debt (net of any original issue discount) does not exceed 90% of the fair market value of the Property acquired, (vii) the Notes and other Debt outstanding as of the date of original issuance of the Notes (other than Debt to the extent that it is extinguished, retired, defeased or repaid in connection with the original issuance of the Notes), including Debt that is Incurred in respect of interest or discount on such Debt (or Redeemable Stock issued as dividends in respect of Redeemable Stock) pursuant to the terms of the agreement or instrument that governs such Debt (or such Redeemable Stock) as in effect on the date of original issuance of the Notes and (viii) Debt in an aggregate principal amount not to exceed $50 million outstanding at any one time.

Limitation on Subsidiary Debt

The Company will not permit any of its Restricted Subsidiaries or any Eligible Joint Venture, to Incur any Debt.

Notwithstanding the foregoing, each and all of the following Debt may be Incurred by a Restricted Subsidiary or an Eligible Joint Venture: (i) Debt outstanding as of the date of original issuance of the Notes, (ii) Debt owed by a Restricted Subsidiary or an Eligible Joint Venture to the Company or another Restricted Subsidiary of the Company or another Eligible Joint Venture that either directly or indirectly owns all or a portion of the Company's interest in, or directly or indirectly is owned by, such Restricted Subsidiary or such Eligible Joint Venture, as the case may be, and that does not own any Permitted Facility or a direct or indirect interest therein, other than the Permitted Facility or any other Permitted Facility that is located on the same localized geothermal reservoir or a direct or indirect interest therein owned by such Restricted Subsidiary or Eligible Joint Venture, (iii) Non-Recourse Debt Incurred in respect of a Permitted Facility in which such Restricted Subsidiary or such Eligible Joint Venture has a direct or an indirect interest (which may include Construction Financing provided by the Company to the extent permitted under the covenant described under "Limitation on Restricted Payments" below as a "Permitted Investment"), (iv) Subsidiary Refinancing Debt, (v) Acquired Debt, (vi) Debt in respect of Currency Protection Agreements or Interest Rate Protection Agreements and (vii) Permitted Funding Company Loans.

Limitation on Restricted Payments

The Company will not, and will not permit any of its Restricted Subsidiaries or any Eligible Joint Venture to, directly or indirectly, make any Restricted Payment unless at the time of such Restricted Payment and after giving effect thereto (a) no Event of Default and no event that, after the giving of notice or lapse of time or both, would become an Event of Default, has occurred and is continuing, (b) the Company could Incur at least $1 of Debt under the provision described in the first paragraph of "Limitation on Debt" above and (c) the aggregate amount of all Restricted Payments made by the Company, its Restricted Subsidiaries and the Eligible Joint Ventures (the amount so made, if other than in cash, to be determined in good faith by the Chief Financial Officer, as evidenced by an Officers' Certificate, or, if more than $15 million, by the

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Board of Directors, as evidenced by a Board resolution) after the date of original issuance of the Notes, is less than the sum (without duplication) of (i) 50% of the Adjusted Consolidated Net Income of the Company for the period (taken as one accounting period) beginning on the first day of the first fiscal quarter that begins after the date of the original issuance of the Notes and ending on the last day of the fiscal quarter immediately prior to the date of such calculation, provided that if throughout any fiscal quarter within such period the Ratings Categories applicable to the Notes are rated Investment Grade by Standard & Poor's Corporation and Moody's Investors Service, Inc. (or if both do not make a rating of the Notes publicly available, an equivalent Rating Category is made publicly available by another Rating Agency), then 75% (instead of 50%) of the Adjusted Consolidated Net Income (if more than zero) with respect to such fiscal quarter will be included pursuant to this clause (i), and provided further that if Adjusted Consolidated Net Income for such period is less than zero, then minus 100% of the amount of such net loss, plus (ii) 100% of the aggregate net cash proceeds received by the Company from and after the date of original issuance of the Notes from (A) the issuance and sale (other than to a Restricted Subsidiary or an Eligible Joint Venture) of its Capital Stock (excluding Redeemable Stock, but including Capital Stock other than Redeemable Stock issued upon conversion of, or in exchange for Redeemable Stock or securities other than its Capital Stock), (B) the issuance and sale or the exercise of warrants, options and rights to purchase its Capital Stock (other than Redeemable Stock) and (C) the issuance and sale of convertible Debt upon the conversion of such convertible Debt into Capital Stock (other than Redeemable Stock), but excluding the net proceeds from the issuance, sale, exchange, conversion or other disposition of its Capital Stock (I) that is convertible (whether at the option of the Company or the holder thereof or upon the happening of any event) into (x) any security other than its Capital Stock or (y) its Redeemable Stock or (II) that is Capital Stock referred to in clauses (ii) and (iii) of the definition of "Permitted Payment", plus (iii) the net reduction in Investments of the types specified in clauses (iv) and (v) of the definition of "Restricted Payment" that result from payments of interest on

Debt, dividends, or repayment of loans or advances, the proceeds of the sale or disposition of the Investment or other return of the amount of the original Investment to the Company, the Restricted Subsidiary or the Eligible Joint Venture that made the original Investment from the Person in which such Investment was made, provided that (x) the aggregate amount of such payments will not exceed the amount of the original Investment by the Company or such Restricted Subsidiary that reduced the amount available pursuant to this clause (c) for making Restricted Payments and (y) such payments may be added pursuant to this clause (iii) only to the extent such payments are not included in the calculation of Adjusted Consolidated Net Income, provided further that if Investments of the types specified in clauses (iv) and (v) of the Definition of "Restricted Payment" have been made in any Person and such Person thereafter becomes a Restricted Subsidiary or an Eligible Joint Venture, then the aggregate amount of such Investment (to the extent that they have reduced the amount available pursuant to this clause (c) for making Restricted Payments), net of the amounts previously added pursuant to this clause (iii), may be added to the amount available for making Restricted Payments. The foregoing clause (c) will not prevent the payment of any dividend within 60 days after the date of its declaration if such dividend could have been made on the date of its declaration without violation of the provisions of this covenant.

None of the Company, any of its Restricted Subsidiaries or any Eligible Joint Venture will be deemed to have made an Investment at the time that a Person that is a Restricted Subsidiary of the Company or an Eligible Joint Venture

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ceases to be a Restricted Subsidiary or an Eligible Joint Venture (other than as a result of being designated as an Unrestricted Subsidiary), although any subsequent Investment made by the Company, its Restricted Subsidiaries and Eligible Joint Ventures in such Person will be Investments that will be subject to the foregoing paragraph unless and until such time as such Person becomes a Restricted Subsidiary or an Eligible Joint Venture. Notwithstanding the foregoing, (i) the designation of a Restricted Subsidiary as an Unrestricted Subsidiary, in the manner provided in the definition of "Unrestricted Subsidiary," will be an Investment that will be subject to the foregoing paragraph and (ii) the transfer of the Company's interest (or any portion thereof) in an entity that has been deemed to be an Eligible Joint Venture, directly or indirectly, to an Unrestricted Subsidiary will be an Investment (to the extent of the interest transferred) that will be subject to the foregoing paragraph.

Restricted Payments are defined in the Indenture to exclude Permitted Payments, which include Permitted Investments. See "Certain Definitions" below.

Limitation on Dividends and Other Payment Restrictions Affecting Subsidiaries

The Company will not, and will not permit any of its Restricted Subsidiaries or any Eligible Joint Venture to, create or cause to become, or as a result of the acquisition of any Person or Property, or upon any Person becoming a Restricted Subsidiary or an Eligible Joint Venture, remain subject to, any consensual encumbrance or consensual restriction of any kind on the ability of any Restricted Subsidiary or any Eligible Joint Venture to (a) pay dividends or make any other distributions permitted by applicable law on any Capital Stock of such Restricted Subsidiary or such Eligible Joint Venture owned by the Company, any other Restricted Subsidiary or any other Eligible Joint Venture, (b) make payments in respect of any Debt owed to the Company, any other Restricted Subsidiary of the Company or any Eligible Joint Venture, (c) make loans or advances to the Company or to any other Restricted Subsidiary of the Company or any other Eligible Joint Venture that is directly or indirectly owned by such Restricted Subsidiary or such Eligible Joint Venture or (d) transfer any of its Property to the Company or to any other Restricted Subsidiary or any other Eligible Joint Venture that directly or indirectly owns or is owned by such Restricted Subsidiary or such Eligible Joint Venture, other than those encumbrances and restrictions created or existing (i) on the date of the original issuance of the Notes, (ii) pursuant to the Indenture, (iii) in connection with the Incurrence of any Debt permitted under the provisions described in clause (iii) of the second paragraph of "Limitation on Subsidiary Debt" above, provided that, in the case of Debt owed to Persons other than the Company, its Restricted Subsidiaries and any Eligible Joint Venture, the President or the Chief Financial Officer of the Company determines in good faith, as evidenced by an Officers' Certificate, that such encumbrances or

restrictions are required to effect such financing and are not materially more restrictive, taken as a whole, on the ability of the applicable Restricted Subsidiary or the applicable Eligible Joint Venture to make the payments, distributions, loans, advances or transfers referred to in clauses (a) through (d) above than encumbrances and restrictions, taken as a whole, customarily accepted (or, in the absence of any industry custom, reasonably acceptable) in comparable financings or comparable transactions in the applicable jurisdiction, (iv) in connection with the execution and delivery of an electric power or thermal energy purchase contract, or other contract related to the output or product of, or services rendered by a Permitted Facility, to which such Restricted Subsidiary or such Eligible Joint Venture is the supplying

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party or other contracts with customers, suppliers and contractors to which such Restricted Subsidiary or such Eligible Joint Venture is a party and where such Restricted Subsidiary or such Eligible Joint Venture is engaged, directly or indirectly, in the development, design, engineering, procurement, construction, acquisition, ownership, management or operation of such Permitted Facility, provided that the President or the Chief Financial Officer of the Company determines in good faith, as evidenced by an Officers' Certificate, that such encumbrances or restrictions are required to effect such contracts and are not materially more restrictive, taken as a whole, on the ability of the applicable Restricted Subsidiary or the applicable Eligible Joint Venture to make the payments, distributions, loans, advances or transfers referred to in clauses (a) through (d) above than encumbrances and restrictions, taken as a whole, customarily accepted (or, in the absence of any industry custom, reasonably acceptable) in comparable financings or comparable transactions in the applicable jurisdiction, (v) in connection with any Acquired Debt, provided that such encumbrance or restriction was not incurred in contemplation of such Person becoming a Restricted Subsidiary or an Eligible Joint Venture and provided further that such encumbrance or restriction does not extend to any other Property of such Person at the time it became a Restricted Subsidiary or an Eligible Joint Venture, (vi) in connection with the Incurrence of any Debt permitted under clause (iv) of the provision described in the second paragraph of "Limitation on Subsidiary Debt" above, provided that, in the case of Debt owed to Persons other than the Company and its Restricted Subsidiaries, the President or the Chief Financial Officer of the Company determines in good faith, as evidenced by an Officers' Certificate, that such encumbrances or restrictions taken as a whole are not materially more restrictive than the encumbrances and restrictions applicable to the Debt and/or equity being exchanged or refinanced, (vii) customary non-assignment provisions in leases or other contracts entered into in the ordinary course of business of the Company, any Restricted Subsidiary or any Eligible Joint Venture, (viii) any restrictions imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all of the Capital Stock or Property of any Restricted Subsidiary or Joint Venture that apply pending the closing of such sale or disposition, (ix) in connection with Liens on the Property of such Restricted Subsidiary or such Eligible Joint Venture that are permitted by the covenant described under "Limitation on Liens" below but only with respect to transfers referred to in clause (d) above or (x) in connection with the Incurrence of any Debt permitted under clause (ii) of the provisions described in the second paragraph of "Limitation on Subsidiary Debt" above.

Limitation on Dispositions

Subject to the covenant described under "Mergers, Consolidations and Sales of Assets" below, the Company will not make, and will not permit any of its Restricted Subsidiaries or any Eligible Joint Venture to make, any Asset Disposition unless (i) the Company, the Restricted Subsidiary or the Eligible Joint Venture, as the case may be, receives consideration at the time of each such Asset Disposition at least equal to the fair market value of the Property or securities sold or otherwise disposed of (to be determined in good faith by the Chief Financial Officer, as evidenced by an Officers' Certificate, or, if more than $15 million, by the Board of Directors, as evidenced by a Board resolution), (ii) at least 85% of such consideration is received in cash or Cash Equivalents or, if less than 85%, the remainder of such consideration consists of Property related to the business of the Company as described in the first sentence of the covenant described under "Limitation on Business" below, and (iii) unless otherwise required under the terms of Senior Debt, at the Company's election, the Net Cash Proceeds are either (A) invested in the business of the Company, any of its Restricted Subsidiaries or any Eligible Joint Venture or (B) applied to the payment of any Debt of the

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Company or any of its Restricted Subsidiaries or any Eligible Joint Venture (or as otherwise required under the terms of such Debt), provided that, no such payment of Debt (x) under Permitted Working Capital Facilities or any other revolving credit agreement will count for this purpose unless the related loan commitment, standby facility or the like will be permanently reduced by an amount equal to the principal amount so repaid or (y) owed to the Company, a Restricted Subsidiary thereof or an Eligible Joint Venture will count for this purpose, provided further that such investment or such payment, as the case may be, must be made within 365 days from the later of the date of such Asset Disposition or the receipt by the Company, such Restricted Subsidiary or such Eligible Joint Venture of the Net Cash Proceeds related thereto. Any Net Cash Proceeds from Asset Dispositions that are not applied as provided in clause (A) or (B) of the preceding sentence will constitute "Excess Proceeds." Excess Proceeds will be applied, as described below, to make an offer (an "Offer") to purchase Notes at a purchase price equal to 100% of Accreted Value thereof, plus accrued interest, if any, to the date of purchase.

Notwithstanding anything in the foregoing to the contrary, the Company, its Restricted Subsidiaries and the Eligible Joint Ventures may exchange with other Persons (i) Property that constitutes a Restricted Subsidiary or an Eligible Joint Venture for Property that constitutes a Restricted Subsidiary or an Eligible Joint Venture, (ii) Property that constitutes a Restricted Subsidiary or an Eligible Joint Venture for Property that does not constitute a Restricted Subsidiary or an Eligible Joint Venture, (iii) Property that does not constitute a Restricted Subsidiary or an Eligible Joint Venture for Property that does not constitute a Restricted Subsidiary or an Eligible Joint Venture and (iv) Property that does not constitute a Restricted Subsidiary or an Eligible Joint Venture for Property that constitutes a Restricted Subsidiary or an Eligible Joint Venture, provided that in each case the fair market value of the Property received is at least equal to the fair market value of the Property exchanged as determined in good faith by the Chief Financial Officer, as evidenced by an Officers' Certificate, or, if more than $25 million, by the Board of Directors, as evidenced by a Board resolution, provided that the Investment in the Property received in the exchanges described in clauses (ii) and (iii) of the prior sentence will be subject to the covenant described under "Limitation on Restricted Payments" above. Notwithstanding anything in the foregoing to the contrary, the Company may not, and will not permit any of its Restricted Subsidiaries or any Eligible Joint Venture to, make an Asset Disposition of any of their interest in, or Property of, any of the Coso Project other than for consideration consisting solely of cash.

To the extent that any or all of the Net Cash Proceeds of any Foreign Asset Disposition are prohibited from (or delayed in) being repatriated to the United States by applicable local law, the portion of such Net Cash Proceeds so affected will not be required to be applied at the time provided above but may be retained by any Restricted Subsidiary or any Eligible Joint Venture so long, but only so long, as the applicable local law does not permit (or delays) repatriation to the United States. If such Net Cash Proceeds are transferred by the Restricted Subsidiary or Eligible Joint Venture that conducted the Foreign Asset Disposition to another Restricted Subsidiary or Eligible Joint Venture, the Restricted Subsidiary or Eligible Joint Venture receiving such Net Cash Proceeds must not be directly or indirectly obligated on any Debt owed to any Person other than the Company. The Company will take or cause such Restricted Subsidiary or such Eligible Joint Venture to take all actions required by the applicable local law to permit such repatriation promptly. Once repatriation of any of such Net Cash Proceeds is permitted under the applicable local law,

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repatriation will be effected immediately and the repatriated Net Cash Proceeds will be applied in the manner set forth in this covenant as if such Asset Disposition had occurred on the date of such repatriation. In addition, if the Chief Financial Officer determines, in good faith, as evidenced by an Officers' Certificate, that repatriation of any or all of the Net Cash Proceeds of any Foreign Asset Disposition would have a material adverse tax consequence to the Company, the Net Cash Proceeds so affected may be retained outside of the United States by the applicable Restricted Subsidiary or the applicable Eligible Joint Venture for so long as such material adverse tax consequence would continue. Notwithstanding the foregoing provisions of this paragraph to the contrary, if applicable local law prohibits (or delays) the repatriation of Net Cash Proceeds of a Foreign Asset Disposition but such local law does not prohibit the application of such Net Cash Proceeds pursuant to the

first sentence of the first paragraph of this covenant, the Company may apply such Net Cash Proceeds pursuant to such provision.

If the Notes tendered pursuant to an Offer have an aggregate purchase price that is less than the Excess Proceeds available for the purchase of the Notes, the Company may use the remaining Excess Proceeds for general corporate purposes without regard to the provisions of this covenant. The Company will not be required to make an Offer pursuant to this covenant if the Excess Proceeds available therefor are less than $10 million, provided that the lesser amounts of such Excess Proceeds will be carried forward and cumulated for each 36 consecutive month period for purposes of determining whether an Offer is required with respect to any Excess Proceeds of any subsequent Asset Dispositions. Any such lesser amounts so carried forward and cumulated need not be segregated or reserved and may be used for general corporate purposes, provided that such use will not reduce the amount of cumulated Excess Proceeds or relieve the Company of its obligation hereunder to make an Offer with respect thereto.

The Company will make an Offer by mailing to each Holder, with a copy to the Trustee, within 30 days after the receipt of Excess Proceeds that cause the cumulated Excess Proceeds to exceed $10 million, a written notice that will specify the purchase date, which will not be less than 30 days nor more than 60 days after the date of such notice (the "Purchase Date"), that will contain certain information concerning the business of the Company that the Company believes in good faith will enable the Holders to make an informed decision and that will contain information concerning the procedures applicable to the Offer (including, without limitation, the right of withdrawal) and the effect of such Offer on the Notes tendered. Holders that elect to have their Notes purchased will be required to surrender such Notes at least one Business Day prior to the Purchase Date. If at the expiration of the Offer period the aggregate purchase price of the Notes properly tendered by Holders pursuant to the Offer exceeds the amount of such Excess Proceeds, the Notes or portions of Notes to be accepted for purchase will be selected by the Trustee in such manner as the Trustee deems to be fair and appropriate in the circumstances.

If the Company is prohibited by applicable law from making the Offer or purchasing Notes thereunder, the Company need not make an Offer pursuant to this covenant for so long as such prohibition is in effect.

The Company will comply with all applicable tender offer rules, including, without limitation, Rule 14e-1 under the Exchange Act, in connection with an Offer.

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Limitation on Transactions with Affiliates

The Company will not, and will not permit any of its Restricted Subsidiaries or any Eligible Joint Venture to, directly or indirectly, conduct any business or enter into or permit to exist any transaction or series of related transactions (including, but not limited to, the purchase, sale or exchange of Property, the making of any Investment, the giving of any Guarantee or the rendering of any service) with any Affiliate of the Company, such Restricted Subsidiary or such Eligible Joint Venture, as the case may be, unless (i) such business, transaction or series of related transactions is in the best interest of the Company, such Restricted Subsidiary or such Eligible Joint Venture, (ii) such business, transaction or series of related transactions is on terms no less favorable to the Company, such Restricted Subsidiary or such Eligible Joint Venture than those that could be obtained in a comparable arm's length transaction with a Person that is not such an Affiliate and (iii) with respect to such business, transaction or series of related transactions that has a fair market value or involves aggregate payments equal to, or in excess of, $10 million, such business, transaction or series of transactions is approved by a majority of the Board of Directors (including a majority of the disinterested directors), which approval is set forth in a Board resolution delivered to the Trustee certifying that, in good faith, the Board of Directors believes that such business, transaction or series of transactions complies with clauses (i) and (ii) above.

Limitation on Liens

The Company may not Incur any Debt that is secured, directly or indirectly, with, and the Company will not, and will not permit any of its Restricted Subsidiaries or any Eligible Joint Venture to, grant a Lien on the Property of the Company, its Restricted Subsidiaries or any Eligible Joint Venture now owned or hereafter acquired unless contemporaneous therewith or prior thereto the Notes are equally and ratably secured except for (i) any such Debt secured by Liens existing on the Property of any entity at the time such Property is acquired by the Company, any of its Restricted Subsidiaries or any Eligible Joint Venture, whether by merger, consolidation, purchase of such Property or otherwise, provided that such Liens (x) are not created, incurred or assumed in contemplation of such Property being acquired by the Company, any of its Restricted Subsidiaries or any Eligible Joint Venture and (y) do not extend to any other Property of the Company, any of its Restricted Subsidiaries or any Eligible Joint Venture, (ii) any other Debt that is required by the terms thereof to be equally and ratably secured as a result of the Incurrence of Debt that is permitted to be secured pursuant to another clause of this covenant, (iii) Liens that are granted in good faith to secure Debt (A) contemplated by clause (iv) of the covenant described under "Limitation on Debt" above or (B) contemplated by clauses (ii), (iii) and (vi) of the covenant described under "Limitation on Subsidiary Debt" above, provided that, in the case of Debt owed to a Person other than the Company or a Restricted Subsidiary, the President or Chief Financial Officer of the Company determines in good faith, as evidenced by an Officers' Certificate, that such Liens are required in order to effect such financing and are not materially more restrictive, taken as a whole, than Liens, taken as a whole, customarily accepted (or in the absence of industry custom, reasonably acceptable) in comparable financings or comparable transactions in the applicable jurisdiction, (iv) Liens existing on the date of the original issuance of the Notes, (v) Liens incurred to secure Debt incurred by the Company as permitted by clause (vi) of the covenant described under "Limitation on Debt" above, provided that such Liens may not cover any Property other than that being purchased, (vi) Liens on any Property of the Company securing Permitted Working Capital Facilities, Guarantees thereof and any

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Interest Rate Protection Agreements or Currency Protection Agreements, provided that such Liens may not extend to the Capital Stock owned by the Company in any Subsidiary of the Company or any Joint Venture, (vii) Liens in respect of extensions, renewals, refundings or refinancings of any Debt secured by the Liens referred to in the foregoing clauses, provided that the Liens in connection with such renewal, extension, refunding or refinancing will be limited to all or part of the specific property that was subject to the original Lien, (viii) Liens incurred to secure obligations in respect of letters of credit, bankers' acceptances, surety, bid, operating and performance bonds, performance guarantees or other similar instruments or obligations (or reimbursement obligations with respect thereto) (in each case, to the extent incurred in the ordinary course of business), (ix) any Lien arising by reason of (A) any judgment, decree or order of any court, so long as such Lien is being contested in good faith and is appropriately bonded, and any appropriate legal proceedings that may have been duly initiated for the review of such judgment, decree or order have not been finally terminated or the period within which such proceedings may be initiated has not expired, (B) taxes, duties, assessments, imposts or other governmental charges that are not yet delinquent or are being contested in good faith, (C) security for payment of worker's compensation or other insurance, (D) security for the performance of tenders, contracts (other than contracts for the payment of money) or leases, (E) deposits to secure public or statutory obligations, or to secure permitted contracts for the purchase or sale of any currency entered into in the ordinary course of business, (F) the operation of law in favor of carriers, warehousemen, landlords, mechanics, materialmen, laborers, employees or suppliers, incurred in the ordinary course of business for sums that are not yet delinquent or are being contested in good faith by negotiations or by appropriate proceedings that suspend the collection thereof, (G) easements, rights-of-way, zoning and similar covenants and restrictions and other similar encumbrances or title defects that do not in the aggregate materially interfere with the ordinary conduct of the business of the Company, any of its Restricted Subsidiaries or any Eligible Joint Venture or (H) leases and subleases of real property that do not interfere with the ordinary conduct of the business of the Company, any of its Restricted Subsidiaries or any Eligible Joint Venture and that are made on customary and usual terms applicable to similar properties, or (x) Liens, in addition to the foregoing, that secure obligations not in excess of $5 million in the aggregate.

Purchase of Notes Upon a Change of Control

Upon the occurrence of a Change of Control, each Holder of the Notes will have the right to require that the Company repurchase such Holder's Notes at a purchase price in cash equal to 101% of the Accreted Value thereof on the date of purchase plus accrued interest, if any, to the date of purchase.

The Change of Control provisions may not be waived by the Trustee or by the Board of Directors, and any modification thereof must be approved by each Holder. Nevertheless, the Change of Control provisions will not necessarily afford protection to Holders, including protection against an adverse effect on the value of the Notes, in the event that the Company or its Subsidiaries Incur additional Debt, whether through recapitalizations or otherwise.

Within 30 days following a Change of Control, the Company will mail a notice to each Holder, with a copy to the Trustee, stating (1) that a Change of Control has occurred and that such Holder has the right to require the Company to purchase such Holder's Notes at the purchase price described above (the "Change of Control Offer"), (2) the circumstances and relevant facts regarding such Change of Control (including information with respect to pro forma

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historical income, cash flow and capitalization after giving effect to such Change of Control), (3) the purchase date (which will be not earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Purchase Date"), (4) that original issue discount on any Note not tendered or purchased will continue to accrete until January 15, 1997, and thereafter interest on any such Note will continue to accrue, (5) any Note properly tendered pursuant to the Change of Control Offer will cease to accrete original issue discount or accrue interest, as the case may be, after the Purchase Date (assuming sufficient moneys for the purchase thereof are deposited with the Trustee), (6) that Holders electing to have a Note purchased pursuant to a Change of Control Offer will be required to surrender the Note, with the form entitled "Option of Holder To Elect Purchase" on the reverse of the Note completed, to the paying agent at the address specified in the notice prior to the close of business on the fifth Business Day prior to the Purchase Date, (7) that a Holder will be entitled to withdraw such Holder's election if the paying agent receives, not later than the close of business on the third Business Day (or such shorter periods as may be required by applicable law) preceding the Purchase Date, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of Notes the Holder delivered for purchase, and a statement that such Holder is withdrawing his election to have such Notes purchased and (8) that Holders that elect to have their Notes purchased only in part will be issued new Notes having a principal amount equal to the portion of the Notes that were surrendered but not tendered and purchased.

On the Purchase Date, the Company will (i) accept for payment all Notes or portions thereof tendered pursuant to the Change of Control Offer, (ii) deposit with the Trustee money sufficient to pay the purchase price of all Notes or portions thereof so tendered for purchase and (iii) deliver or cause to be delivered to the Trustee the Notes properly tendered together with an Officers' Certificate identifying the Notes or portions thereof tendered to the Company for purchase. The Trustee will promptly mail, to the Holders of the Notes properly tendered and purchased, payment in an amount equal to the purchase price, and promptly authenticate and mail to each Holder a new Note having a principal amount equal to any portion of such Holder's Notes that were surrendered but not tendered and purchased, the Company will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Purchase Date.

If the Company is prohibited by applicable law from making the Change of Control Offer or purchasing Notes thereunder, the Company need not make a Change of Control Offer pursuant to this covenant for so long as such prohibition is in effect.

The Company will comply with all applicable tender offer rules, including, without limitation, Rule 14e-1 under the Exchange Act, in connection with a Change of Control Offer.

Limitation on Business

The Company will, and will cause its Restricted Subsidiaries and the Eligible Joint Ventures to, engage only in (i) the ownership, design, engineering, procurement, construction, development, acquisition, operation, servicing, management or disposition of Permitted Facilities, (ii) the ownership, creation, development, acquisition, servicing, management or disposition of Restricted Subsidiaries and Joint Ventures that own, construct, develop, design, engineer, procure, acquire, operate, service, manage or dispose of Permitted Facilities, (iii) obtaining, arranging or providing financing incident to any of the foregoing and (iv) other related activities incident to

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any of the foregoing. The Company will not, and will not permit any of its Restricted Subsidiaries or any Eligible Joint Venture to, make any Investment or otherwise acquire any Property that is not directly related to the business of the Company as described in the preceding sentence (collectively, the "Ineligible Investments") other than as a part of an Investment or an acquisition of Property that is predominantly and directly related to the business of the Company as described above, and if the aggregate fair market value of such Ineligible Investments in the aggregate exceeds 10% (the "10% Limit") of the total assets of the Company and its consolidated Restricted Subsidiaries (as determined in accordance with GAAP) as determined in good faith by the Chief Financial Officer, as evidenced by an Officers' Certificate, the Company, its Restricted Subsidiaries and the Eligible Joint Ventures must cease acquiring any additional Ineligible Investments and, within 18 months of the acquisition that caused the Ineligible Assets to exceed the 10% Limit, must return to compliance with the 10% Limit by disposing of Ineligible Assets or otherwise, provided that such 18-month period may be extended up to an additional six months if, despite the Company's active efforts during such 18-month period to dispose of such Ineligible Investments or to otherwise come into compliance with such 10% Limit, the Company is unable to do so because of regulatory restrictions or delays or adverse market conditions.

Limitation on Certain Sale-Leasebacks

The Company will not, and will not permit any of its Restricted Subsidiaries or any Eligible Joint Venture to, Incur or otherwise become obligated with respect to any sale-leaseback (other than a sale-leaseback with respect to a Permitted Facility that is Non-Recourse) unless, (i) (a) if effected by the Company, the Company would be permitted to Incur such obligation under the covenant described under "Limitation on Debt" above or, (b) if effected by a Restricted Subsidiary or an Eligible Joint Venture, such Restricted Subsidiary or such Eligible Joint Venture would be permitted to Incur such obligation under the covenant described under "Limitation on Subsidiary Debt" above, assuming for the purpose of this covenant and the covenants described under "Limitation on Debt" and "Limitation on Subsidiary Debt" that (x) the obligation created by such sale-leaseback is a Capitalized Lease and (y) the Capitalized Lease Obligation with respect thereto is the Attributable Value thereof, (ii) the Company, such Restricted Subsidiary or such Eligible Joint Venture is permitted to grant a Lien with respect to the property that is the subject of such sale-leaseback under the covenant described under "Limitation on Liens" above, (iii) the proceeds of such sale-leaseback are at least equal to the fair market value of the property sold (determined in good faith as evidenced by an Officers' Certificate delivered to the Trustee in respect of a transaction involving less than $25 million, or, if equal to or in excess of $25 million, by the Board of Directors, as evidenced by a Board resolution) and (iv) the Net Cash Proceeds of the sale-leaseback are applied pursuant to the covenants described under "Limitation on Dispositions" above.

Limitation on Sale of Subsidiary Preferred Stock

The Company will not permit any of its Restricted Subsidiaries or any Eligible Joint Venture to create, assume or otherwise cause or suffer to exist any Preferred Stock except: (i) Preferred Stock outstanding on the date of the Indenture, including Preferred Stock issued as dividends in respect of such Preferred Stock pursuant to the terms of the agreement or instrument that governs such Preferred Stock as in effect on the date of original issuance of the Notes, (ii) Preferred Stock held by the Company, a Restricted Subsidiary of the Company or an Eligible Joint Venture, (iii) Preferred Stock issued by a Person prior to the time (a) such Person becomes a Restricted Subsidiary or an Eligible Joint Venture, (b) such Person merges with or into

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another Restricted Subsidiary or another Eligible Joint Venture or (c) a Restricted Subsidiary or an Eligible Joint Venture merges with or into such Person (in a transaction in which such Person becomes a Restricted Subsidiary or an Eligible Joint Venture), provided that such Preferred Stock was not issued in anticipation of such Person becoming a Restricted Subsidiary or an Eligible Joint Venture or of such merger, (iv) Preferred Stock issued or agreed to be issued by a Restricted Subsidiary or an Eligible Joint Venture in connection with the financing of the construction, design, engineering, procurement, equipping, developing, operation, ownership, management, servicing or acquisition of a Permitted Facility or the retirement of Debt or Preferred Stock secured by such Permitted Facility or in order to enhance the repatriation of equity, advances or income or the increase of after-tax funds available for distribution to the owners of such Permitted Facility, (v) Preferred Stock issued or agreed to be issued by a Restricted Subsidiary or an Eligible Joint Venture in satisfaction of legal requirements applicable to a Permitted Facility or to maintain the ordinary course of conduct of such Restricted Subsidiary's or such Eligible Joint Venture's business in the applicable jurisdiction and (vi) Preferred Stock that is exchanged for, or the proceeds of which are used to refinance, any Preferred Stock permitted to be outstanding pursuant to clauses (i) through (v) hereof (or any extension, renewal or refinancing thereof), having a liquidation preference not to exceed the liquidation preference of the Preferred Stock so exchanged or refinanced and having a redemption period no shorter than the redemption period of the Preferred Stock so exchanged or refinanced.

MERGERS, CONSOLIDATIONS AND SALES OF ASSETS

The Company may not consolidate with, merge with or into, or transfer all or substantially all its Property (as an entirety or substantially an entirety in one transaction or a series of related transactions), to any Person unless: (i) the Company will be the continuing Person, or the Person (if other than the Company) formed by such consolidation or into which the Company is merged or to which the Property of the Company is transferred will be a corporation organized and existing under the laws of the United States or any State thereof or the District of Columbia and will expressly assume in writing all the obligations of the Company under the Indenture and the Notes, (ii) immediately after giving effect to such transaction, no Event of Default and no event or condition that through the giving of notice or lapse of time or both would become an Event of Default will have occurred and be continuing, (iii) immediately after giving effect to such transaction on a pro forma basis, the Company or the surviving entity would be able to Incur at least $1 of Debt under the provision described in the first paragraph of "Limitation on Debt" above and (iv) the Net Worth of the Company or the surviving entity, as the case may be, on a pro forma basis after giving effect to such transaction (without giving effect to the fees and expenses incurred in respect of such transaction), is not less than the Net Worth of the Company immediately prior to such transaction.

None of the Company, any of its Restricted Subsidiaries or any Eligible Joint Ventures may merge with or into, or be consolidated with, an Unrestricted Subsidiary of the Company, except to the extent that such Unrestricted Subsidiary has been designated a Restricted Subsidiary as provided in the Indenture in advance of or in connection with such merger.

MODIFICATION OF THE INDENTURE

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The Indenture contains provisions permitting the Company and the Trustee, with the consent of the Holders of not less than a majority in principal amount of the Notes at the time outstanding, to modify the Indenture or any supplemental indenture or the rights of the Holders of the Notes, except that no such modification may (i) extend the final maturity of any of the Notes, reduce the principal amount thereof, reduce the rate or extend the time of accretion of original issue discount thereon beyond January 15, 1997 or the time of payment of any cash interest thereon, reduce any amount payable on redemption or purchase thereof or impair the right of any Holder to institute suit for the payment thereof or make any change in the covenants regarding a Change of Control or an Asset Disposition or the related definitions without the consent of the Holder of each of the Notes so affected or (ii) reduce the percentage of Notes, the consent of the Holders of which is required for any such modification, without the consent of the Holders of all Notes then outstanding.

EVENTS OF DEFAULT

An Event of Default is defined in the Indenture as being: (i) default as to the payment of principal, or premium, if any, on any Note or as to any payment required in connection with a Change of Control or an Asset Disposition, (ii) default as to the payment of interest on any Note for 30 days after payment is due, (iii) failure to make an offer required under either of the covenants described under "Limitation on Dispositions" or "Purchase of Notes Upon a Change of Control" above or a failure to purchase Notes tendered in respect of such offer, (iv) default in the performance, or breach, of any covenant, agreement or warranty contained in the Indenture and the Notes and such failure continues for 30 days after written notice is given to the Company by the Trustee or the Holders of at least 25% in principal amount of the outstanding Notes, as provided in the Indenture, (v) default on any other Debt of the Company or any Significant Subsidiary (other than Non-Recourse Debt of Significant Subsidiaries) if either (x) such default results from failure to pay principal of such Debt in excess of $25 million when due after any applicable grace period or (y) as a result of such default, the maturity of such Debt has been accelerated prior to its scheduled maturity and such default has not been cured within the applicable grace period, and such acceleration has not been rescinded, and the principal amount of such Debt, together with the principal amount of any other Debt of the Company and its Significant Subsidiaries (not including Non-Recourse Debt of the Significant Subsidiaries) that is in default as to principal, or the maturity of which has been accelerated, aggregates $25 million or more, (vi) the entry by a court of one or more judgments or orders against the Company or any Significant Subsidiary for the payment of money that in the aggregate exceeds $25 million (excluding the amount thereof covered by insurance or by a bond written by a Person other than an Affiliate of the Company), which judgments or orders have not been vacated, discharged or satisfied or stayed pending appeal within 60 days from the entry thereof, provided that such a judgment or order will not be an Event of Default if such judgment or order does not require any payment by the Company or any Significant Subsidiary, except to the extent that such judgment is only against Property that secures Non-Recourse Debt that was permitted under the Indenture, and the Company could, at the expiration of the applicable 60 day period, after giving effect to such judgment or order and the consequences thereof, Incur at least $1 of Debt under the provision described in the first paragraph of "Limitation on Debt" above, and (vii) certain events involving bankruptcy, insolvency or reorganization of the Company or any of its Significant Subsidiaries.

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The Indenture provides that the Trustee may withhold notice to the Holders of any default (except in payment of principal of, premium, if any, or interest on the Notes and any payment required in connection with a Change of Control or an Asset Disposition) if the Trustee considers it in the interest of Holders to do so.

The Indenture provides that if an Event of Default (other than an event of bankruptcy, insolvency or reorganization of the Company or a Significant Subsidiary) has occurred and is continuing, either the Trustee or the Holders of not less than 25% in principal amount of the Notes then outstanding may declare the Default Amount of all Notes to be due and payable immediately, but upon certain conditions such declaration may be annulled and past defaults (except, unless theretofore cured, a default in payment of principal of, premium, if any, or interest on the Notes or any payment required in connection with a Change of Control or an Asset Disposition, as the case may be) may be waived by the Holders of a majority in principal amount of the Notes then outstanding. If an Event of Default due to the bankruptcy, insolvency or reorganization of the Company or a Significant Subsidiary occurs, the Indenture provides that the Default Amount of all Notes will become immediately due and payable.

The Holders of a majority in principal amount of the Notes then outstanding will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee under the Indenture, subject to certain limitations specified in the Indenture, provided that the Holders of Notes must have offered to the Trustee reasonable indemnity against expenses and liabilities. The Indenture requires the annual filing by the Company with the Trustee of a written statement as to compliance with the principal covenants contained in the Indenture.

DEFEASANCE

Legal Defeasance

The Indenture provides that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes, on the 123rd day after the deposit referred to below has been made (or immediately if an Opinion of Counsel is delivered to the effect described in clause (B)(iii)(y) below), and the provisions of the Indenture will cease to be applicable with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies and to hold monies for payment in trust) if, among other things, (A) the Company has deposited with the Trustee, in trust, money and/or U.S. Government Obligations that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes, on the respective Stated Maturities of the Notes or, if the Company makes arrangements satisfactory to the Trustee for the redemption of the Notes prior to their Stated Maturity, on any earlier redemption date in accordance with the terms of the Indenture and the Notes, (B) the Company has delivered to the Trustee (i) either (x) an Opinion of Counsel to the effect that Holders will not recognize income, gain or loss for federal income tax purposes as a result of such deposit, defeasance and discharge and will be subject to federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit, defeasance and discharge had not occurred and the Company had paid or redeemed such Notes on the applicable dates, which Opinion

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of Counsel must be based upon a ruling of the Internal Revenue Service to the same effect or a change in applicable federal income tax law or related Treasury regulations after the date of the Indenture or (y) a ruling directed to the Trustee or the Company received from the Internal Revenue Service to the same effect as the aforementioned Opinion of Counsel, (ii) an Opinion of Counsel to the effect that the creation of the defeasance trust does not violate the Investment Company Act of 1940 and (iii) an Opinion of Counsel to the effect that either (x) after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 or 548 of the U.S. Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law or (y) based upon existing precedents, if the matter were properly briefed, a court should hold that the deposit of moneys and/or U.S. Government Obligations as provided in clause (A) would not constitute a preference voidable under Section 547 or 548 of the U.S. Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law, (C) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, will have occurred and be continuing on the date of such deposit or (unless an Opinion of Counsel is delivered to the effect described in clause (B)(iii)(y) above) during the period ending on the 123rd day after the date of such deposit, and the deposit will not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company is a party or by which the Company is bound and (D) if at such time the Notes are listed on a national securities exchange, the Company has delivered to the Trustee an Opinion of Counsel to the effect that the Notes will not be delisted as a result of such deposit, defeasance and discharge.

Covenant Defeasance

The Indenture further provides that the provisions of clause (iii) under "Mergers, Consolidations and Sales of Assets" and all the covenants described herein under "Certain Covenants," clause (iv) under "Events of Default" with respect to such covenants and with respect to clause (iii) under "Mergers, Consolidations and Sales of Assets," clauses (i) and (iii) with respect to certain offers for the Notes required by certain covenants and clauses (v) and (vi) under "Events of Default" will cease to be applicable to the Company, its Restricted Subsidiaries and its Eligible Joint Ventures upon the satisfaction of the provisions described in clauses (A), (B)(ii) and (iii), (C) and (D) of the preceding paragraph and the delivery by the Company to the Trustee of an Opinion of Counsel to the effect that, among other things, the Holders of the Notes will not recognize income, gain or loss for federal income tax purposes as a result of such deposit and the defeasance of certain covenants and Events of Default and will be subject to federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred and the Company had paid or redeemed such Notes on the applicable dates.

Defeasance and Certain Other Events of Default

If the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture with respect to the Notes as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity or scheduled redemption, but may not be sufficient to pay amounts due on the Notes at the time of acceleration resulting from such Event of Default. The Company will remain liable for such payments.

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THE TRUSTEE

IBJ Schroder Bank & Trust Company is the Trustee under the Indenture.

GOVERNING LAW

The Indenture and the Notes will be governed by, and construed in accordance with, the law of the State of New York, including Section 5-1401 of the New York General Obligations Law, but otherwise without regard to conflict of laws rules.

CERTAIN DEFINITIONS

Set forth below is a summary of certain of the defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for the full definitions of all such terms as well as any other capitalized terms used herein for which no definition is provided.

"Accreted Value" is defined to mean, with respect to each Note of a minimum denomination, the lesser of (i) $1,000 and (ii) an amount per $1,000 of principal amount that is equal to the sum of (i) the issue price of such Note as determined in accordance with Section 1273 of the Internal Revenue Code or any successor provision plus (ii) the aggregate of the portions of the original issue discount (the excess of the amounts considered as part of the "stated redemption price at maturity" of such Note within the meaning of Section 1273(a)(2) of the Internal Revenue Code or any successor provision, whether denominated as principal or interest, over the issue price of such Note) that will theretofore have accrued pursuant to Section 1272 of the Internal Revenue Code or any successor provision (without regard to Section 1272(a)(7) of the Internal Revenue Code or any successor provision) from the date of issue of such Note (a) for each six months or shorter period ending January 15 and July 15 (to January 15, 1997) prior to the date of determination and (b) for the shorter period, if any, from the end of the immediately preceding six month period, as the case may be, to the date of determination, minus (iii) all amounts theretofore paid in respect of such Note, which amounts are considered as part of the "stated redemption price at maturity" of such Note within the meaning of Section 1273(a)(2) of the Internal Revenue Code or any successor provision (whether such amounts were denominated principal or interest).

"Acquired Debt" is defined to mean Debt Incurred by a Person prior to the time (i) such Person becomes a Restricted Subsidiary of the Company or an Eligible Joint Venture, (ii) such Person merges with or into a Restricted Subsidiary of the Company or an Eligible Joint Venture, or (iii) a Restricted Subsidiary of the Company or an Eligible Joint Venture merges with or into such Person (in a transaction in which such Person becomes a Restricted Subsidiary of the Company or an Eligible Joint Venture), provided that, after giving effect to such transaction, the Non-Recourse Debt of such Person could have been Incurred pursuant to clause (iii) of the provision described under "Limitation on Subsidiary Debt" and all the other Debt of such Person could have been Incurred by the Company at the time of such merger or acquisition pursuant to the provision described in the first paragraph of "Limitation on Debt" above, and provided further that such Debt was not Incurred in connection with, or in contemplation of, such merger or such Person becoming a Restricted Subsidiary of the Company or an Eligible Joint Venture.

"Acquisition Debt" is defined to mean Debt of any Person existing at the time such Person is merged into the Company or assumed in connection with the

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acquisition of Property from any such Person (other than Property acquired in the ordinary course of business), including Debt Incurred in connection with, or in contemplation of, such Person being merged into the Company (but excluding Debt of such Person that is extinguished, retired or repaid in connection with such merger or acquisition).

"Adjusted Consolidated Net Income" is defined to mean for any period, for any Person (the "Referenced Person") the aggregate Net Income (or loss) of the Referenced Person and its consolidated Subsidiaries for such period determined in conformity with GAAP, provided that the following items will be excluded in computing Adjusted Consolidated Net Income (without duplication): (i) the Net Income (or loss) of any other Person (other than a Subsidiary of the Referenced Person) in which any third Person has an interest, except to the extent of the amount of dividends or other distributions actually paid in cash to the Referenced Person during such period, or after such period and on or before the date of determination, by such Person in which the interest is held, which dividends and distributions will be included in such computation, (ii) solely for the purposes of calculating the amount of Restricted Payments that may be made pursuant to the provision described in clause (c) of the first paragraph of "Limitation on Restricted Payments" above (and in such case, except to the extent includable pursuant to clause (i) above), the Net Income (if positive) of any other Person accrued prior to the date it becomes a Subsidiary of the Referenced Person or is merged into or consolidated with the Referenced Person or any of its Subsidiaries or all or substantially all the Property of such other Person are acquired by the Referenced Person or any of its Subsidiaries, (iii) the Net Income (if positive) of any Subsidiary of the Referenced Person to the extent that the declaration or payment of dividends or similar distributions by that Subsidiary to such Person or to any other Subsidiary of such Net Income is not at the time permitted by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Subsidiary, (iv) any gains or losses (on an after-tax basis) attributable to Asset Sales (except, solely for the purposes of calculating the amount of Restricted Payments that may be made pursuant to the provision described in clause (c) of the first paragraph of "Limitation on Restricted Payments" above, any gains or losses of the Company and any of its Restricted Subsidiaries from Asset Sales of Capital Stock of Unrestricted Subsidiaries), (v) the cumulative effect of a change in accounting principles and (vi) any amounts paid or accrued as dividends on Preferred Stock of any Subsidiary of the Referenced Person that is not held by the Referenced Person or another Subsidiary thereof. When the "Referenced Person" is the Company, the foregoing references to "Subsidiaries" will be deemed to refer to "Restricted Subsidiaries."

"Affiliate" of any Person is defined to mean any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such Person. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with") when used with respect to any Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise. For the purpose of the covenant described under "Limitation on Transactions with Affiliates" above, the term "Affiliate" will be deemed to include only Kiewit, any entity owning beneficially 10% or more of the Voting Stock of the Company and their respective Affiliates other than the Restricted Subsidiaries and the Eligible Joint Ventures and the other equity investors in the Restricted Subsidiaries and the Eligible Joint Ventures (solely on account of their investments in the Restricted Subsidiaries and the Eligible Joint Ventures), and for such purpose such term also will be deemed to include the Unrestricted Subsidiaries.

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"Asset Acquisition" is defined to mean (i) an investment by the Company, any of its Subsidiaries or any Joint Venture in any other Person pursuant to which such Person will become a direct or indirect Subsidiary of the Company or a Joint Venture or will be merged into or consolidated with the Company, any of its Subsidiaries or any Joint Venture or (ii) an acquisition by the Company, any of its Subsidiaries or any Joint Venture of the Property of any Person other than the Company, any of its Subsidiaries or any Joint Venture that constitutes substantially all of an operating unit or business of such Person.

"Asset Disposition" is defined to mean any sale, transfer, conveyance, lease or other disposition (including by way of merger, consolidation or sale-leaseback) by the Company, any of its Restricted Subsidiaries or any Eligible Joint Venture to any Person (other than to the Company, a Restricted Subsidiary of the Company or an Eligible Joint Venture and other than in the ordinary course of business) of any Property of the Company, any of its Restricted Subsidiaries or any Eligible Joint Venture other than any shares of Capital Stock of the Unrestricted Subsidiaries. Notwithstanding the foregoing to the contrary, the term "Asset Disposition" will include the sale, transfer, conveyance or other disposition of any shares of Capital Stock of any Unrestricted Subsidiary to the extent that the Company or any of its Restricted Subsidiaries or Eligible Joint Ventures made an Investment in such Unrestricted Subsidiary pursuant to clause (vii) of the definition of "Permitted Payment," and the Company will, and will cause each of its Restricted Subsidiaries and Eligible Joint Ventures to, apply pursuant to the covenant described under "Limitation on Dispositions" that portion of the Net Cash Proceeds from the sale, transfer, conveyance or other disposition of such Unrestricted Subsidiary that is equal to the portion of the total Investment in such Unrestricted Subsidiary that is represented by the Investment that was made pursuant to clause (vii) of the definition of "Permitted Payment." For purposes of this definition, any disposition in connection with directors' qualifying shares or investments by foreign nationals mandated by applicable law will not constitute an Asset Disposition. In addition, the term "Asset Disposition" will not include (i) any sale, transfer, conveyance, lease or other disposition of the Capital Stock or Property of Restricted Subsidiaries or Eligible Joint Ventures pursuant to the terms of any power sales agreements or steam sales agreements to which such Restricted Subsidiaries or such Eligible Joint Ventures are parties on the date of the original issuance of the Notes or pursuant to the terms of any power sales agreements or steam sales agreements, or other agreements or contracts that are related to the output or product of, or services rendered by, a Permitted Facility as to which such Restricted Subsidiary or such Eligible Joint Venture is the supplying party, to which such Restricted Subsidiaries or such Eligible Joint Ventures become a party after such date if the President or Chief Financial Officer of the Company determines in good faith (evidenced by a Officers' Certificate) that such provisions are customary (or, in the absence of any industry custom, reasonably necessary) in order to effect such agreements and are reasonable in light of comparable transactions in the applicable jurisdiction, (ii) any sale, transfer, conveyance, lease or other disposition of Property governed by the covenant described under "Mergers, Consolidations and Sales of Assets" above, (iii) any sale, transfer, conveyance, lease or other disposition of any Cash Equivalents, (iv) any transaction or series of related transactions consisting of the sale, transfer, conveyance, lease or other disposition of Capital Stock or Property with a fair market value aggregating less than $5 million and (v) any Permitted Payment or any Restricted Payment that is permitted to be made pursuant to the covenant described under "Limitation on Restricted Payments" above. The term "Asset Disposition" also will not include (i) the grant of or realization upon

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a Lien permitted under the covenant described under "Limitation on Liens" above or the exercise of remedies thereunder, (ii) a sale-leaseback transaction involving substantially all the Property constituting a Permitted Facility pursuant to which a Restricted Subsidiary of the Company or an Eligible Joint Venture sells the Permitted Facility to a Person in exchange for the assumption by that Person of the Debt financing the Permitted Facility and the Restricted Subsidiary or the Eligible Joint Venture leases the Permitted Facility from such Person, (iii) dispositions of Capital Stock, contract rights, development rights and resource data made in connection with the initial development of Permitted Facilities, or the formation or capitalization of Restricted Subsidiaries or Eligible Joint Ventures in respect of the initial development of Permitted Facilities, in respect of which only an insubstantial portion of the prospective Construction Financing that would be required to commence commercial operation has been funded or (iv) transactions determined in good faith by the Chief Financial Officer, as evidenced by an Officers' Certificate, made in order to enhance the repatriation of Net Cash Proceeds for a Foreign Asset Disposition or in order to increase the after-tax proceeds thereof available for immediate distribution to the Company. Any Asset Disposition that results from the bona fide exercise by any governmental authority of its claimed or actual power of eminent domain need not comply with the provisions of clauses (i) and (ii) of the covenant described under "Limitation on Dispositions" above. Any Asset Disposition that results from a casualty loss need not comply with the provisions of clause (i) of the covenant described under "Limitation on Dispositions" above.

"Asset Sale" is defined to mean the sale or other disposition by the Company, any of its Subsidiaries or any Joint Venture (other than to the Company, another Subsidiary of the Company or another Joint Venture) of (i) all or substantially all of the Capital Stock of any Subsidiary of the Company or any Joint Venture or (ii) all or substantially all of the Property that constitutes an operating unit or business of the Company, any of its Subsidiaries or any Joint Venture.

"Attributable Value" means, as to a Capitalized Lease Obligation under which any Person is at the time liable and at any date as of which the amount thereof is to be determined, the capitalized amount thereof that would appear on the face of a balance sheet of such Person in accordance with GAAP.

"Average Life" is defined to mean, at any date of determination with respect to any Debt security or Preferred Stock, the quotient obtained by dividing (i) the sum of the product of (A) the number of years from such date of determination to the dates of each successive scheduled principal or involuntary liquidation value payment of such Debt security or Preferred Stock, respectively, multiplied by (B) the amount of such principal or involuntary liquidation value payment by (ii) the sum of all such principal or involuntary liquidation value payments.

"Board of Directors" is defined to mean either the Board of Directors of the Company or any duly authorized committee of such Board.

"Business Day" is defined to mean a day that, in the city (or in any of the cities, if more than one) where amounts are payable in respect of the Notes, is neither a legal holiday nor a day on which banking institutions are authorized or required by law, regulation or executive order to close.

"Capital Stock" is defined to mean, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in, or interests (however designated) in, the

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equity of such Person that is outstanding or issued on or after the date of Indenture, including, without limitation, all Common Stock and Preferred Stock and partnership and joint venture interests in such Person.

"Capitalized Lease" is defined to mean, as applied to any Person, any lease of any Property of which the discounted present value of the rental obligations of such Person as lessee, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person, and "Capitalized Lease Obligation" means the rental obligations, as aforesaid, under such lease.

"Cash Equivalent" is defined to mean any of the following: (i) securities issued or directly and fully guaranteed or insured by the United States of America or any agency or instrumentality thereof (provided that the full faith and credit of the United States of America is pledged in support thereof), (ii) time deposits and certificates of deposit of any commercial bank organized in the United States having capital and surplus in excess of $500,000,000 or any commercial bank organized under the laws of any other country having total assets in excess of $500,000,000 with a maturity date not more than two years from the date of acquisition, (iii) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (i) or (v) that was entered into with any bank meeting the qualifications set forth in clause (ii) or another financial institution of national reputation, (iv) direct obligations issued by any state or other jurisdiction of the United States of America or any other country or any political subdivision or public instrumentality thereof maturing, or subject to tender at the option of the holder thereof, within 90 days after the date of acquisition thereof and, at the time of acquisition, having a rating of A from Standards & Poor's Corporation ("S&P") or A-2 from Moody's Investors Service, Inc. ("Moody's") (or, if at any time neither S&P nor Moody's may be rating such obligations, then from another nationally recognized rating service acceptable to the Trustee), (v) commercial paper issued by (a) the parent corporation of any commercial bank organized in the United States having capital and surplus in excess of $500,000,000 or any commercial bank organized under the laws of any other country having total assets in excess of $500,000,000, and (b) others having one of the two highest ratings obtainable from either S&P or Moody's (or, if at any time neither S&P

nor Moody's may be rating such obligations, then from another nationally recognized rating service acceptable to the Trustee) and in each case maturing within one year after the date of acquisition, (vi) overnight bank deposits and bankers' acceptances at any commercial bank organized in the United States having capital and surplus in excess of $500,000,000 or any commercial bank organized under the laws of any other country having total assets in excess of $500,000,000, (vii) deposits available for withdrawal on demand with any commercial bank organized in the United States having capital and surplus in excess of $500,000,000 or any commercial bank organized under the laws of any other country having total assets in excess of $500,000,000, (viii) investments in money market funds substantially all of whose assets comprise securities of the types described in clauses (i) through (vi) and (ix), and (ix) auction rate securities or money market preferred stock having one of the two highest ratings obtainable from either S&P or Moody's (or, if at any time neither S&P nor Moody's may be rating such obligations, then from another nationally recognized rating service acceptable to the Trustee).

"Change of Control" is defined to mean the occurrence of one or more of the following events:

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(i) for so long as at least $25 million principal amount of the Company's 5% Convertible Subordinated Debentures due July 1, 2000 remain outstanding and are not defeased, (x) a report is filed on Schedule 13D or 14D-1 (or any successor schedule, form or report) pursuant to the Exchange Act, disclosing that any person (for the purposes of this provision only, as the term "person" is used in Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision to either of the foregoing) has become the beneficial owner (as the term "beneficial owner" is defined under Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act) of 50% or more of the then outstanding shares of the Voting Stock of the Company and (y) such beneficial ownership is acquired by means of a tender offer in which cash is the sole consideration paid and the purchase price for each share tendered is less than the conversion price then in effect under the Company's 5% Convertible Subordinated Debentures due July 1, 2000; provided that a person will not be deemed to be the beneficial owner of, or to own beneficially, any securities tendered until such tendered securities are accepted for purchase under the tender offer;

(ii) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than Kiewit, is or becomes the beneficial owner (as defined in clause (i) above), directly or indirectly, of more than 35% of the total voting power of the Voting Stock of the Company (for the purposes of this clause (ii), any person will be deemed to beneficially own any Voting Stock of any corporation (the "specified corporation") held by any other corporation (the "parent corporation"), if such person "beneficially owns" (as so defined), directly or indirectly, more than 35% of the voting power of the Voting Stock of such parent corporation) and Kiewit "beneficially owns" (as so defined), directly or indirectly, in the aggregate a lesser percentage of the voting power of the Voting Stock of the Company and does not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the board of directors of the Company;

(iii) during any one-year period, individuals who at the beginning of such period constituted the Board of Directors of the Company (together with any new directors elected by such Board of Directors or nominated for election by the shareholders of the Company by a vote of at least a majority of the directors of the Company then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors then in office, unless a majority of such new directors were elected or appointed by Kiewit; or

(iv) the Company or its Restricted Subsidiaries sell, convey, assign, transfer, lease or otherwise dispose of all or substantially all the Property of the Company and the Restricted Subsidiaries taken as a whole;

provided that with respect to the foregoing subparagraphs (ii), (iii) and (iv), a Change of Control will not be deemed to have occurred unless and until a Rating Decline has occurred as well.

"Common Stock" is defined to mean with respect to any Person, Capital Stock of such Person that does not rank prior, as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of such Person, to shares of Capital Stock of any other class of such Person.

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"Company Refinancing Debt" is defined to mean Debt issued in exchange for, or the proceeds of which are used to refinance (including to purchase), outstanding Notes or other Debt of the Company Incurred pursuant to clauses (i), (iv), and (vii) of "Limitation on Debt" and Debt Incurred pursuant to the first paragraph under "Limitation on Debt" in an amount (or, if such new Debt provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration thereof, with an original issue price) not to exceed the amount so exchanged or refinanced (plus accrued interest and all fees, premiums (in excess of the accreted value) and expenses related to such exchange or refinancing), for which purpose the amount so exchanged or refinanced will be deemed to equal the lesser of (x) the principal amount of the Debt so exchanged or refinanced and (y) if the Debt being exchanged or refinanced was issued with an original issue discount, the accreted value thereof (as determined in accordance with GAAP) at the time of such exchange or refinancing, provided that (A) such Debt will be subordinated in right of payment to the Notes at least to the same extent, if any, as the Debt so exchanged or refinanced is subordinated to the Notes, (B) such Debt will be Non-Recourse if the Debt so exchanged or refinanced is Non-Recourse, (C) the Average Life of the new Debt will be equal to or greater than the Average Life of the Debt to be exchanged or refinanced and (D) the final Stated Maturity of the new Debt will not be sooner than the earlier of the final Stated Maturity of the Debt to be exchanged or refinanced or six months after the final Stated Maturity of the Notes, provided that if such new Debt refinances the Notes in part only, the final Stated Maturity of such new Debt must be at least six months after the final Stated Maturity of the Notes.

"Consolidated EBITDA" of any Person for any period is defined to mean the Adjusted Consolidated Net Income of such Person, plus, only to the extent deducted in computing Adjusted Consolidated Net Income and without duplication, (i) income taxes, excluding income taxes (either positive or negative) attributable to extraordinary and non-recurring gains or losses or Asset Sales, all determined on a consolidated basis for such Person and its consolidated Subsidiaries in accordance with GAAP, (ii) Consolidated Fixed Charges, (iii) depreciation and amortization expense, all determined on a consolidated basis for such Person and its consolidated Subsidiaries in accordance with GAAP and (iv) all other non-cash items reducing Adjusted Consolidated Net Income for such period, all determined on a consolidated basis for such Person and its consolidated Subsidiaries in accordance with GAAP, and less all non-cash items increasing Adjusted Consolidated Net Income during such period, provided that depreciation and amortization expense of any Subsidiary of such Person and any other non-cash item of any Subsidiary of such Person that reduces Adjusted Consolidated Net Income will be excluded (without duplication) in computing Consolidated EBITDA, except to the extent that the positive cash flow associated with such depreciation and amortization expense and other non-cash items is actually distributed in cash to such Person during such period, provided further that as applied to the Company, cash in respect of depreciation and amortization and other non-cash items of Restricted Subsidiaries and Eligible Joint Ventures may be deemed to have been distributed or paid to the Company to the extent that such cash (I) is or was under the exclusive dominion and control of such Restricted Subsidiary or such Eligible Joint Venture and is or was free and clear of the Lien of any other Person, (II) is or was immediately available for distribution and (III) could be or could have been repatriated to the United States by means that are both lawful and commercially reasonable, provided that the amount of the cash deemed by this sentence to have been distributed or paid will be reduced by the amount of tax that would have been payable with respect to the repatriation thereof, provided further that any cash that enables the recognition of depreciation and amortization and other non-cash items pursuant to this sentence may not be used to enable the recognition of depreciation and amortization and other non-cash items with respect to any prior or subsequent period, regardless of whether

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such cash is distributed to the Company, and provided further that the recognition of any depreciation and amortization and other non-cash items as a result of this sentence will be determined in good faith by the Chief Financial Officer, as evidenced by an Officers' Certificate that will set forth in reasonable detail the

relevant facts and assumptions supporting such recognition. When the "Person" referred to above is the Company, the foregoing references to "Subsidiaries" will be deemed to refer to "Restricted Subsidiaries."

"Consolidated Fixed Charges" of any Person is defined to mean, for any period, the aggregate of (i) Consolidated Interest Expense, (ii) the interest component of Capitalized Leases, determined on a consolidated basis for such Person and its consolidated Subsidiaries in accordance with GAAP, excluding any interest component of Capitalized Leases in respect of that portion of a Capitalized Lease Obligation of a Subsidiary that is Non-Recourse to such Person, and (iii) cash and non-cash dividends due (whether or not declared) on the Preferred Stock of any Subsidiary of such Person held by any Person other than such Person and any Redeemable Stock of such Person or any Subsidiary of such Person. When the "Person" referred to above is the Company, the foregoing references to "Subsidiaries" will be deemed to refer to "Restricted Subsidiaries."

"Consolidated Interest Expense" of any Person is defined to mean, for any period, the aggregate interest expense in respect of Debt (including amortization of original issue discount and non-cash interest payments or accruals) of such Person and its consolidated Subsidiaries, determined on a consolidated basis in accordance with GAAP, including all commissions, discounts, other fees and charges owed with respect to letters of credit and bankers' acceptance financing and net costs associated with Interest Rate Protection Agreements and Currency Protection Agreements and any amounts paid during such period in respect of such interest expense, commissions, discounts, other fees and charges that have been capitalized, provided that Consolidated Interest Expense of the Company will not include any interest expense (including all commissions, discounts, other fees and charges owed with respect to letters of credit and bankers' acceptance financing and net costs associated with Interest Rate Protection Agreements or Currency Protection Agreements) in respect of that portion of any Debt that is Non-Recourse, and provided further that Consolidated Interest Expense of the Company in respect of a Guarantee by the Company of Debt of another Person will be equal to the commissions, discounts, other fees and charges that would be due with respect to a hypothetical letter of credit issued under a bank credit agreement that can be drawn by the beneficiary thereof in the amount of the Debt so guaranteed if (i) the Company is not actually making directly or indirectly interest payments on such Debt and (ii) GAAP does not require the Company on an unconsolidated basis to record such Debt as a liability of the Company. When the "Person" referred to above is the Company, the foregoing references to "Subsidiaries" will be deemed to refer to "Restricted Subsidiaries."

"Construction Financing" is defined to mean the debt and/or equity financing provided (over and above the owners' equity investment) to permit the acquisition, development, design, engineering, procurement, construction and equipping of a Permitted Facility and to enable it to commence commercial operations, provided that Construction Financing may remain outstanding after the commencement of commercial operations of a Permitted Facility, without any increase in the amount of such financing, and such Construction Financing will not cease to be Construction Financing.

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"Currency Protection Agreement" is defined to mean, with respect to any Person, any foreign exchange contract, currency swap agreement or other similar agreement or arrangement intended to protect such Person against fluctuations in currency values to or under which such Person is a party or a beneficiary on the date of the Indenture or becomes a party or a beneficiary thereafter.

"Debt" is defined to mean, with respect to any Person, at any date of determination (without duplication), (i) all indebtedness of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person in respect of letters of credit, bankers' acceptances, surety, bid, operating and performance bonds, performance guarantees or other similar instruments or obligations (or reimbursement obligations with respect thereto) (except, in each case, to the extent incurred in the ordinary course of business), (iv) all obligations of such Person to pay the deferred purchase price of property or services, except Trade Payables, (v) the Attributable Value of all obligations of such Person as lessee under Capitalized Leases, (vi) all Debt of others secured by a Lien on any Property of such Person, whether or not such Debt is assumed by such Person, provided that,

for purposes of determining the amount of any Debt of the type described in this clause, if recourse with respect to such Debt is limited to such Property, the amount of such Debt will be limited to the lesser of the fair market value of such Property or the amount of such Debt, (vii) all Debt of others Guaranteed by such Person to the extent such Debt is Guaranteed by such Person, (viii) all Redeemable Stock valued at the greater of its voluntary or involuntary liquidation preference plus accrued and unpaid dividends and (ix) to the extent not otherwise included in this definition, all net obligations of such Person under Currency Protection Agreements and Interest Rate Protection Agreements.

For purposes of determining any particular amount of Debt that is or would be outstanding, Guarantees of, or obligations with respect to letters of credit or similar instruments supporting (to the extent the foregoing constitutes Debt), Debt otherwise included in the determination of such particular amount will not be included. For purposes of determining compliance with the Indenture, in the event that an item of Debt meets the criteria of more than one of the types of Debt described in the above clauses, the Company, in its sole discretion, will classify such item of Debt and only be required to include the amount and type of such Debt in one of such clauses.

"Default Amount" is defined to mean, prior to January 15, 1997, the Accreted Value, and from and including January 15, 1997, the principal amount plus accrued interest.

"Eligible Joint Venture" is defined to mean a Joint Venture (other than a Subsidiary) (i) that is or will be formed with respect to the construction, development, acquisition, servicing, ownership, operation or management of one or more Permitted Facilities and (ii) in which the Company and Kiewit together, directly or indirectly, own at least 50% of the Capital Stock therein (of which the Company must own at least half (in any event not less than 25% of the total outstanding Capital Stock)) and (iii) in respect of which the Company alone or in combination with Kiewit, directly or indirectly, (a) controls, by voting power, board or management committee membership, or through the provisions of any applicable partnership, shareholder or other similar agreement or under an operating, maintenance or management agreement or otherwise, the management and operation of the Joint Venture or any Permitted Facilities of the Joint Venture or (b) otherwise has significant influence over the management or operation of

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the Joint Venture or any Permitted Facility of the Joint Venture in all material respects (significant influence includes, without limitation, the right to control or veto any material act or decision) in connection with such management or operation. Any Joint Venture that is an Eligible Joint Venture pursuant to this definition because of the ownership of Capital Stock therein by Kiewit will cease to be an Eligible Joint Venture if (x) Kiewit disposes of any securities issued by the Company and, as a result of such disposition, Kiewit becomes the beneficial owner (as such term is defined under Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act) of less than 25% of the outstanding shares of Voting Stock of the Company or (y) (I) as a result of any action other than a disposition of securities by Kiewit, Kiewit becomes the beneficial owner of less than 25% of the outstanding shares of Voting Stock of the Company and (II) thereafter Kiewit disposes of any securities issued by the Company as a result of which the beneficial ownership by Kiewit of the outstanding Voting Stock of the Company is further reduced, provided that thereafter such Joint Venture may become an Eligible Joint Venture if Kiewit becomes the beneficial owner of at least 25% of the outstanding shares of Voting Stock of the Company and the other conditions set forth in this definition are fulfilled.

"Fixed Charge Ratio" is defined to mean the ratio, on a pro forma basis, of (i) the aggregate amount of Consolidated EBITDA of any Person for the Reference Period immediately prior to the date of the transaction giving rise to the need to calculate the Fixed Charge Ratio (the "Transaction Date") to (ii) the aggregate Consolidated Fixed Charges of such Person during such Reference Period, provided that for purposes of such computation, in calculating Consolidated EBITDA and Consolidated Fixed Charges, (1) the Incurrence of the Debt giving rise to the need to calculate the Fixed Charge Ratio and the application of the proceeds therefrom (including the retirement or defeasance of Debt) will be assumed to have occurred on the first day of the Reference Period, (2) Asset Sales and Asset Acquisitions that occur during the Reference Period or subsequent to the Reference Period and prior to the Transaction Date (but including any Asset

Acquisition to be made with the Debt Incurred pursuant to (1) above) and any related retirement of Debt pursuant to an Offer (in the amount of the Excess Proceeds with respect to which such Offer has been made or would be made on the Transaction Date if the purchase of Notes pursuant to such Offer has not occurred on or before the Transaction Date) will be assumed to have occurred on the first day of the Reference Period, (3) the Incurrence of any Debt during the Reference Period or subsequent to the Reference Period and prior to the Transaction Date and the application of the proceeds therefrom (including the retirement or defeasance of other Debt) will be assumed to have occurred on the first day of such Reference Period, (4) Consolidated Interest Expense attributable to any Debt (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate will be computed as if the rate in effect on the date of computation had been the applicable rate for the entire period unless the obligor on such Debt is a party to an Interest Rate Protection Agreement (that will remain in effect for the twelve month period after the Transaction Date) that has the effect of fixing the interest rate on the date of computation, in which case such rate (whether higher or lower) will be used and (5) there will be excluded from Consolidated Fixed Charges any Consolidated Fixed Charges related to any amount of Debt that was outstanding during or subsequent to the Reference Period but is not outstanding on the Transaction Date, except for Consolidated Fixed Charges actually incurred with respect to Debt borrowed (as adjusted pursuant to clause (4)) (x) under a revolving credit or similar arrangement to the extent the commitment thereunder remains in effect on the Transaction Date or (y) pursuant to the provision

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described in clause (iii) in the second paragraph of "Limitation on Debt" above. For the purpose of making this computation, Asset Sales and Asset Acquisitions that have been made by any Person that has become a Restricted Subsidiary of the Company or an Eligible Joint Venture or been merged with or into the Company or any Restricted Subsidiary of the Company or an Eligible Joint Venture during the Reference Period, or subsequent to the Reference Period and prior to the Transaction Date, will be calculated on a pro forma basis, as will be all the transactions contemplated by the calculations referred to in clauses (1) through (5) above with respect to the Persons or businesses that were the subject of such Asset Sales and Asset Dispositions, assuming such Asset Sales or Asset Acquisitions occurred on the first day of the Reference Period.

"Foreign Asset Disposition" means an Asset Disposition in respect of the Capital Stock or Property of a Restricted Subsidiary of the Company or an Eligible Joint Venture to the extent that the proceeds of such Asset Disposition are received by a Person subject in respect of such proceeds to the tax laws of a jurisdiction other than the United States of America or any State thereof or the District of Columbia.

"GAAP" is defined to mean generally accepted accounting principles in the U.S. as in effect as of the date of the Indenture, applied on a basis consistent with the principles, methods, procedures and practices employed in the preparation of the Company's audited financial statements, including, without limitation, those set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as approved by a significant segment of the accounting profession.

"Guarantee" is defined to mean any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Debt of any other Person and, without limiting the generality of the foregoing, any Debt obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt of such other Person (whether arising by virtue of partnership arrangements (other than solely by reason of being a general partner of a partnership), or by agreement to keep-well, to purchase assets, goods, securities or services, or to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for purposes of assuring in any other manner the obligee of such Debt of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), provided that the term "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business or the grant of a Lien in connection with any Non-Recourse Debt. The term "Guarantee" used as a verb has a corresponding meaning.

"Holder", "holder of Notes", "Noteholder" and other similar terms are defined to mean the registered holder of any Note.

"Incur" is defined to mean with respect to any Debt, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Debt, provided that neither the accrual of interest (whether such interest is payable in cash or kind) nor the accretion of original issue discount will be considered an Incurrence of Debt. The term "Incurrence" has a corresponding meaning.

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"Interest Rate Protection Agreement" is defined to mean, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement intended to protect such Person against fluctuations in interest rates to or under which such Person or any of its Subsidiaries is a party or a beneficiary on the date of the Indenture or becomes a party or a beneficiary thereafter.

"Investment" in a Person is defined to mean any investment in, loan or advance to, Guarantee on behalf of, directly or indirectly, or other transfer of assets to such Person (other than sales of products and services in the ordinary course of business).

"Investment Grade" is defined to mean with respect to the Notes, (i) in the case of S&P, a rating of at least BBB--, (ii) in the case of Moody's, a rating of at least Baa3, and (iii) in the case of a Rating Agency other than S&P or Moody's, the equivalent rating, or in each case, any successor, replacement or equivalent definition as promulgated by S&P, Moody's or other Rating Agency as the case may be.

"Joint Venture" is defined to mean a joint venture, partnership or other similar arrangement, whether in corporate, partnership or other legal form.

"Kiewit" is defined to mean and include Kiewit Energy Company and any other Subsidiary of Peter Kiewit Sons', Inc., Kiewit Construction Group Inc. or Kiewit Diversified Group, Inc.

"Lien" is defined to mean, with respect to any Property, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such Property, but will not include any partnership, joint venture, shareholder, voting trust or other similar governance agreement with respect to Capital Stock in a Subsidiary or Joint Venture. For purposes of the Indenture, the Company will be deemed to own subject to a Lien any Property that it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such Property.

"Net Cash Proceeds" from an Asset Disposition is defined to mean cash payments received (including any cash payments received by way of a payment of principal pursuant to a note or installment receivable or otherwise, but only as and when received (including any cash received upon sale or disposition of any such note or receivable), excluding any other consideration received in the form of assumption by the acquiring Person of Debt or other obligations relating to the Property disposed of in such Asset Disposition or received in any form other than cash) therefrom, in each case, net of (i) all legal, title and recording tax expenses, commissions and other fees and expenses of any kind (including consent and waiver fees and any applicable premiums, earn-out or working interest payments or payments in lieu or in termination thereof) incurred, (ii) all federal, state, provincial, foreign and local taxes and other governmental charges required to be accrued as a liability under GAAP (a) as a consequence of such Asset Disposition, (b) as a result of the repayment of any Debt in any jurisdiction other than the jurisdiction where the Property disposed of was located or (c) as a result of any repatriation of any proceeds of such Asset Disposition, (iii) a reasonable reserve for the after-tax cost of any indemnification payments (fixed and contingent) attributable to seller's indemnities to the purchaser undertaken by the Company, any of its Restricted Subsidiaries or any Eligible Joint Venture in connection with such Asset Disposition (but excluding any payments that by the terms of the indemnities will not, under any circumstances, be made during the

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term of the Notes), (iv) all payments made on any Debt that is secured by such Property, in accordance with the terms of any Lien upon or with respect to such Property, or that must by its terms or by applicable law or in order to obtain a required consent or waiver be repaid out of the proceeds from or in connection with such Asset Disposition, and (v) all

distributions and other payments made to holders of Capital Stock of Restricted Subsidiaries or Eligible Joint Ventures (other than the Company or its Restricted Subsidiaries) as a result of such Asset Disposition.

"Net Income" of any Person for any period is defined to mean the net income (loss) of such Person for such period, determined in accordance with GAAP, except that extraordinary and non-recurring gains and losses as determined in accordance with GAAP will be excluded.

"Net Worth" of any Person is defined to mean, as of any date, the aggregate of capital, surplus and retained earnings (including any cumulative currency translation adjustment) of such Person and its consolidated Subsidiaries as would be shown on a consolidated balance sheet of such Person and its consolidated Subsidiaries prepared as of such date in accordance with GAAP. When the "Person" referred to above is the Company, the foregoing references to "Subsidiaries" will be deemed to refer to "Restricted Subsidiaries."

"Non-Recourse", as applied to any Debt or any sale-leaseback, is defined to mean any project financing that is or was Incurred with respect to the development, acquisition, design, engineering, procurement, construction, operation, ownership, servicing or management of one Permitted Facility (or two or more Permitted Facilities that are operated in the form of a single business and as one technological unit), provided that such financing is without recourse to the Company, any Restricted Subsidiary or any Eligible Joint Venture other than any Restricted Subsidiary or any Eligible Joint Venture that does not own any Property other than such Permitted Facility or a direct or indirect interest therein, provided further that such financing may be secured by a Lien on only (i) the Property that constitutes such Permitted Facility, (ii) the income from and proceeds of such Permitted Facility, (iii) the Capital Stock of the Restricted Subsidiary or Eligible Joint Venture that owns the Property that constitutes such Permitted Facility and (iv) the Capital Stock of the Restricted Subsidiary or Eligible Joint Venture obligated with respect to such financing and of any Subsidiary or Joint Venture (that is a Restricted Subsidiary or an Eligible Joint Venture) of such Person that owns a direct or indirect interest in the Permitted Facility, and provided further that an increase in the amount of Debt with respect to a Permitted Facility pursuant to the financing provided pursuant to the terms of this definition (except for the first refinancing of Construction Financing) may not be Incurred to fund or enable the funding of any dividend or other distribution in respect of Capital Stock. The fact that a portion of financing with respect to a Permitted Facility is not Non-Recourse will not prevent other portions of the financing with respect to such Permitted Facility from constituting Non-Recourse Debt if the foregoing requirements of this definition are fulfilled with respect to such other portions. Notwithstanding anything in this definition to the contrary, (i) Non-Recourse Debt in respect of any Permitted Facility that uses thermal energy drawn from a single localized geothermal reservoir may be cross-collateralized with the Property, income, proceeds and Capital Stock in respect of any other Permitted Facility that uses thermal energy drawn from the same localized geothermal reservoir, (ii) Acquired Debt of a Person that was Incurred with respect to, and that is jointly secured by, two or more Permitted Facilities (all of which need not use thermal energy drawn from the same localized geothermal reservoir) (and other Property related to such Permitted

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Facilities) will be deemed to be Non-Recourse if, upon such Person, becoming a Restricted Subsidiary or an Eligible Joint Venture, such Acquired Debt would fulfill the requirements of the first sentence of this definition if such Permitted Facilities constituted a single Permitted Facility and (iii) for the purpose of the Indenture, (a) the Permitted Facilities that jointly secure a single Non-Recourse Debt pursuant to clause (i) of this sentence will be deemed to be a single Permitted Facility and (b) the Permitted Facilities that jointly secure a single Acquired Debt will be deemed to be a single Permitted Facility.

"Officers' Certificate" is defined to mean a certificate signed by the Chairman of the Board of Directors, the President or any Vice President and by the Chief Financial Officer, the Treasurer, an Assistant Treasurer, the Controller, the Assistant Controller, the Secretary or any Assistant Secretary of the Company and delivered to the Trustee. Each such certificate will comply with Section 314 of the Trust Indenture Act and include the statements provided for in the Indenture if and to the extent required thereby.

"Opinion of Counsel" is defined to mean an opinion in writing signed by legal counsel who may be an employee of or counsel to the Company or who may be other counsel satisfactory to the Trustee. Each such opinion will comply with Section 314 of the Trust Indenture Act and include the statements provided for in the Indenture, if and to the extent required thereby.

"Permitted Facility" is defined to mean (i) an electric power or thermal energy generation or cogeneration facility or related facilities (including residual waste management and facilities that use thermal energy from a cogeneration facility), and its or their related electric power transmission, fuel supply and fuel transportation facilities, together with its or their related power supply, thermal energy and fuel contracts and other facilities, services or goods that are ancillary, incidental, necessary or reasonably related to the marketing, development, construction, management, servicing, ownership or operation of the foregoing, owned by a utility or otherwise, as well as other contractual arrangements with customers, suppliers and contractors or (ii) any infrastructure facilities related to (A) the treatment of water for municipal and other uses, (B) the treatment and/or management of waste water, (C) the treatment, management and/or remediation of waste, pollution and/or potential pollutants and (D) any other process or environmental purpose.

"Permitted Funding Company Loans" is defined to mean (a) Debt of a Restricted Subsidiary, all the Capital Stock of which is owned, directly or indirectly, by the Company and that (x) does not own any direct or indirect interest in a Permitted Facility and (y) is not directly or indirectly obligated on any Debt owed to any Person other than the Company, a Restricted Subsidiary or an Eligible Joint Venture (a "Funding Company"), owed to a Restricted Subsidiary or an Eligible Joint Venture that is not directly or indirectly obligated on any Debt owed to any Person other than the Company, a Restricted Subsidiary or an Eligible Joint Venture (except to the extent that it has pledged the Capital Stock of its Subsidiaries and Joint Ventures to secure Non-Recourse Debt) (a "Holding Company"), provided that such Debt (i) does not require that interest be paid in cash at any time sooner than six months after the final Stated Maturity of the Notes, (ii) does not require any payment of principal at any time sooner than six months after the final Stated Maturity of the Notes, (iii) is subordinated in right of payment to all other Debt of such Restricted Subsidiary other than Debt Incurred pursuant to clause (vii) of the covenant described under "Limitation on Subsidiary Debt," all of which will be pari passu, and (iv) is evidenced by a subordinated note in the form attached to the

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Indenture, and (b) Debt of a Holding Company to a Funding Company.

"Permitted Investment" is defined to mean any Investment that is made directly or indirectly by the Company and its Restricted Subsidiaries in (i) a Restricted Subsidiary or Eligible Joint Venture (excluding for the purpose of this clause (i) any Construction Financing) that, directly or indirectly, is or will be engaged in the construction, development, acquisition, operation, servicing, ownership or management of a Permitted Facility or in any other Person as a result of which such other Person becomes such a Restricted Subsidiary or an Eligible Joint Venture, provided that at the time that any of the foregoing Investments is proposed to be made, no Event of Default or event that, after giving notice or lapse of time or both, would become an Event of Default, will have occurred and be continuing, (ii) Construction Financing provided by the Company (A) to any of its Restricted Subsidiaries (other than an Eligible Joint Venture) up to 100% of the Construction Financing required by such Restricted Subsidiary and (B) to any Eligible Joint Venture a portion of the Construction Financing required by such Eligible Joint Venture that does not exceed the ratio of the Capital Stock in such Eligible Joint Venture that is owned directly or indirectly by the Company to the total amount of the Capital Stock in such Eligible Joint Venture that is owned directly and indirectly by the Company and Kiewit together (provided that the Company may provide such Construction Financing to such Eligible Joint Venture only if Kiewit provides the balance of such Construction Financing or otherwise causes it to be provided), if, in either case, (x) the aggregate proceeds of all the Construction Financing provided is not more than 85% of the sum of the aggregate proceeds of all the Construction Financing and the aggregate owners' equity investment in such Restricted Subsidiary or such Eligible Joint Venture, as the case may be, (y) the Company receives a pledge or assignment of all the Capital Stock of such Restricted Subsidiary or such Eligible Joint Venture, as the case may be, that is owned by non-governmental Person (other than the Company, its Subsidiaries or the Eligible Joint Ventures) that is permitted to be pledged for such purpose under applicable law and (z) neither the Company nor Kiewit reduces its beneficial ownership in such Restricted Subsidiary or such Eligible Joint Venture, as the case may be, prior to the repayment in full of the Company's portion of the Construction Financing, (iii) any Cash Equivalents, (iv) prepaid expenses, negotiable instruments held for collection and lease, utility and workers' compensation, performance and

other similar deposits in the ordinary course of business consistent with past practice, (v) loans and advances to employees made in the ordinary course of business and consistent with past practice, (vi) Debt incurred pursuant to Currency Protection Agreements and Interest Rate Protection Agreements as otherwise permitted by the Indenture, (vii) bonds, notes, debentures or other debt securities and instruments received as a result of Asset Dispositions to the extent permitted by the covenants described under "Limitation on Dispositions" above and "Limitation on Business" above, (viii) any Lien permitted under the provisions described under "Limitation on Liens" above and (ix) bank deposits and other Investments (to the extent they do not constitute Cash Equivalents) required by lenders in connection with any Non-Recourse Debt, provided that the President or the Chief Financial Officer of the Company determines in good faith, as evidenced by an Officers' Certificate, that such bank deposits or Investments are required to effect such financings and are not materially more restrictive, taken as a whole, than comparable requirements in comparable financings in the applicable jurisdiction.

"Permitted Joint Venture" is defined to mean a Joint Venture (i) that is or will be formed with respect to the construction, development, acquisition,

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servicing, ownership, operation or management of one or more Permitted Facilities and (ii) in which (A) the Company or (B) the Company and Kiewit together, directly or indirectly, own at least 70% of the Capital Stock therein (of which the Company must own at least half (in any event not less than 35% of the total outstanding Capital Stock)), provided that if applicable non-U.S. law restricts the amount of Capital Stock that the Company may own, the Company must own at least 70% of the amount of Capital Stock that it may own pursuant to such law, which in any event must be not less than 35% of the total outstanding Capital Stock therein and (iii) in respect of which the Company alone or in combination with Kiewit, directly or indirectly, (a) controls, by voting power, board or management committee membership, or through the provisions of any applicable partnership, shareholder or other similar agreement or under an operating, maintenance or management agreement or otherwise, the management and operation of the Joint Venture or any Permitted Facilities of the Joint Venture or (b) otherwise has significant influence over the management or operation of the Joint Venture or any Permitted Facility of the Joint Venture in all material respects (significant influence includes, without limitation, the right to control or veto any material act or decision) in connection with such management or operation. Any Joint Venture that is a Permitted Joint Venture pursuant to this definition because of the ownership of Capital Stock therein by Kiewit will cease to be a Permitted Joint Venture if (x) Kiewit disposes of any securities issued by the Company and, as a result of such disposition, Kiewit becomes the beneficial owner (as such term is defined under Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act) of less than 25% of the outstanding shares of Voting Stock of the Company or (y) (I) as a result of any action other than a disposition of securities by Kiewit, Kiewit becomes the beneficial owner of less than 25% of the outstanding shares of Voting Stock of the Company and (II) thereafter Kiewit disposes of any securities issued by the Company as a result of which the beneficial ownership by Kiewit of the outstanding Voting Stock of the Company is further reduced, provided that thereafter such Joint Venture may become a Permitted Joint Venture if Kiewit becomes the beneficial owner of at least 25% of the outstanding shares of Voting Stock of the Company and the other conditions set forth in this definition are fulfilled.

"Permitted Payments" is defined to mean, with respect to the Company, any of its Restricted Subsidiaries or any Eligible Joint Venture, (i) any dividend on shares of Capital Stock of the Company payable (or to the extent paid) solely in Capital Stock (other than Redeemable Stock) or in options, warrants or other rights to purchase Capital Stock (other than Redeemable Stock) of the Company and any distribution of Capital Stock (other than Redeemable Capital Stock) of the Company in respect of the exercise of any right to convert or exchange any instrument (whether Debt or equity and including Redeemable Capital Stock) into Capital Stock (other than Redeemable Capital Stock) of the Company, (ii) the purchase or other acquisition or retirement for value of any shares of the Company's Capital Stock, or any option, warrant or other right to purchase shares of the Company's Capital Stock with additional shares of, or out of the proceeds of a substantially contemporaneous issuance of, Capital Stock other than Redeemable Stock, (iii) any defeasance, redemption, purchase or other acquisition for value of any Debt that by its terms ranks subordinate in right of payment to the Notes with the proceeds from the issuance of (x) Debt that is

subordinate to the Notes at least to the extent and in the manner as the Debt to be defeased, redeemed, purchased or otherwise acquired is subordinate in right of payment to the Notes, provided that such subordinated Debt provides for no mandatory payments of principal by way of sinking fund, mandatory redemption or otherwise (including defeasance) by the Company (including,

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without limitation, at the option of the holder thereof other than an option given to a holder pursuant to a "change of control" or an "asset disposition" covenant that is no more favorable to the holders of such Debt than comparable covenants for the Debt being defeased, redeemed, purchased or acquired or, if none, the covenants described under "Limitation on Dispositions" and "Purchase of Notes Upon a Change of Control" above and such Debt is not in an amount (net of any original issue discount) greater than, any Stated Maturity of the Debt being replaced and the proceeds of such subordinated Debt are utilized for such purpose within 45 days of issuance or (y) Capital Stock (other than Redeemable Stock), (iv) Restricted Payments in an amount not to exceed $50 million in the aggregate provided that no payment may be made pursuant to this clause (iv) if an Event of Default, or an event that, after giving notice or lapse of time or both, would become an Event of Default, has occurred and is continuing, (v) any payment or Investment required by applicable law in order to conduct business operations in the ordinary course, (vi) a Permitted Investment and (vii) Investments in Unrestricted Subsidiaries and other Persons that are not Restricted Subsidiaries or Eligible Joint Ventures in an amount not to exceed $50 million in the aggregate, provided that no payment or Investment may be made pursuant to this clause (vii) if an Event of Default, or an event that, after giving notice or lapse of time or both, would become an Event of Default, has occurred and is continuing. Notwithstanding the foregoing, the amount of Investments that may be made pursuant to clauses (iv) or (vii), as the case may be, may be increased by the net reduction in Investments of the type made previously pursuant to clauses (iv) or (vii), as the case may be, that result from payments of interest on Debt, dividends, or repayment of loans or advances, the proceeds of the sale or disposition of the Investment or other return of the amount of the original Investment to the Company, the Restricted Subsidiary or the Eligible Joint Venture that made the original Investment from the Person in which such Investment was made or any distribution or payment of such Investment to the extent that such distribution or payment constituted either a Restricted Payment or a Permitted Payment, provided that (x) the aggregate amount of such payments will not exceed the amount of the original Investment by the Company, such Restricted Subsidiary or Eligible Joint Venture that reduced the amount available pursuant to clause (iv) or clause (vii), as the case may be, for making Restricted Payments and (y) such payments may be added pursuant to this proviso only to the extent such payments are not included in the calculation of Adjusted Consolidated Net Income.

"Permitted Working Capital Facilities" is defined to mean one or more loan or credit agreements providing for the extension of credit to the Company for the Company's working capital purposes, which credit agreements will be ranked pari passu with or subordinate to the Notes in right of payment and may be secured or unsecured.

"Person" is defined to mean an individual, a corporation, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Preferred Stock" is defined to mean, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) or preferred or preference stock of such Person that is outstanding or issued on or after the date of original issuance of the Notes.

"Property" of any Person is defined to mean all types of real, personal, tangible or mixed property owned by such Person whether or not included in the most recent consolidated balance sheet of such Person under GAAP.

"Purchase Money Debt" means Debt representing, or Incurred to finance, the cost of acquiring any Property, provided that (i) any Lien securing such Debt

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does not extend to or cover any other Property other

than the Property being acquired and (ii) such Debt is Incurred, and any Lien with respect thereto is granted, within 180 days of the acquisition of such Property.

"Rating Agencies" is defined to mean (i) S&P and (ii) Moody's or (iii) if S&P or Moody's or both do not make a rating of the Notes publicly available, a nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which will be substituted for S&P, Moody's or both, as the case may be.

"Rating Category" is defined to mean (i) with respect to S&P, any of the following categories: BB, B, CCC, CC, C and D (or equivalent successor categories), (ii) with respect to Moody's, any of the following categories: Ba, B, Caa, Ca, C and D (or equivalent successor categories) and (iii) the equivalent of any such category of S&P or Moody's used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories (+ and - for S&P, 1, 2 and 3 for Moody's or the equivalent gradations for another Rating Agency) will be taken into account (e.g., with respect to S&P, a decline in a rating from BB+ to BB, as well as from BB- to B+, will constitute a decrease of one gradation).

"Rating Decline" is defined to mean the occurrence of the following on, or within 90 days after, the earlier of (i) the occurrence of a Change of Control and (ii) the date of public notice of the occurrence of a Change of Control or of the public notice of the intention of the Company to effect a Change of Control (the "Rating Date") which period will be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrading by any of the Rating Agencies: (a) in the event that the Notes are rated by either Rating Agency on the Rating Date as Investment Grade, the rating of the Notes by both such Rating Agencies will be reduced below Investment Grade, or (b) in the event the Notes are rated below Investment Grade by both such Rating Agencies on the Rating Date, the rating of the Notes by either Rating Agency will be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

"Redeemable Stock" is defined to mean any class or series of Capital Stock of any Person that by its terms or otherwise is (i) required to be redeemed prior to the Stated Maturity of the Notes, (ii) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the Stated Maturity of the Notes or (iii) convertible into or exchangeable for Capital Stock referred to in clause (i) or (ii) above or Debt having a scheduled maturity prior to the Stated Maturity of the Notes, provided that any Capital Stock that would not constitute Redeemable Stock but for provisions thereof giving holders thereof the right to require the Company to purchase or redeem such Capital Stock upon the occurrence of an "asset sale" or a "change of control" occurring prior to the Stated Maturity of the Notes will not constitute Redeemable Stock if the "asset sale" or "change of control" provision applicable to such Capital Stock is no more favorable to the holders of such Capital Stock than the provisions contained in the covenants described under "Limitation on Dispositions" and "Purchase of Notes Upon a Change of Control" above and such Capital Stock specifically provides that the Company will not purchase or redeem any such Capital Stock pursuant to such covenants prior to the Company's purchase of Notes required to be purchased by the Company under the covenants described under "Limitation on Dispositions" and "Purchase of Notes Upon a Change of Control" above.

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"Reference Period" is defined to mean the four most recently completed fiscal quarters for which financial information is available preceding the date of a transaction giving rise to the need to make a financial calculation.

"Restricted Payment" is defined to mean (i) any dividend or other distribution on any shares of the Company's Capital Stock, provided that a dividend or other distribution consisting of the Capital Stock of an Unrestricted Subsidiary will not constitute a Restricted Payment except to the extent of the portion thereof that is equal to the portion of the total Investment in such Unrestricted Subsidiary that is represented by the Investment that was made pursuant to clause (vii) of the definition of "Permitted Payment," (ii) any payment

on account of the purchase, redemption, retirement or acquisition for value of the Company's Capital Stock, (iii) any defeasance, redemption, purchase or other acquisition or retirement for value prior to the scheduled maturity of any Debt ranked subordinate in right of payment to the Notes other than repayment of Debt of the Company to a Restricted Subsidiary or an Eligible Joint Venture, (iv) any Investment made in a Person (other than the Company or any Restricted Subsidiary or any Eligible Joint Venture) and (v) designating a Restricted Subsidiary as an Unrestricted Subsidiary (the Restricted Payment made upon such a designation to be determined as the fair market value of the Capital Stock of such Restricted Subsidiary owned directly or indirectly by the Company at the time of the designation, but in no event less than the amount of the Investment made in such Restricted Subsidiary directly or indirectly by the Company). Notwithstanding the foregoing, "Restricted Payment" will not include any Permitted Payment, except that any payment made pursuant to clauses (iv) and (v) of the definition of "Permitted Payment" will be counted in the calculation set forth in clause (c) of the covenant described under "Limitation on Restricted Payments."

"Restricted Subsidiary" is defined to mean any Subsidiary of the Company that is not an Unrestricted Subsidiary.

"Senior Debt" is defined to mean the principal of and interest on all Debt of the Company whether created, Incurred or assumed before, on or after the date of original issuance of the Notes (other than the Notes), provided that Senior Debt will not include (i) Debt that, when Incurred and without respect to any election under Section 1111(b) of Title 11, United States Code, was without recourse to the Company, (ii) Debt of the Company to any Affiliate and (iii) any Debt of the Company that, by the terms of the instrument creating or evidencing the same, is specifically designated as being junior in right of payment to the Notes or any other Debt of the Company.

"Significant Subsidiary" is defined to mean a Restricted Subsidiary that is a "significant subsidiary" as defined in Rule 1-02(v) of Regulation S-X under the Securities Act and the Exchange Act.

"Stated Maturity" is defined to mean, with respect to any debt security or any installment of interest thereon, the date specified in such debt security as the fixed date on which any principal of such debt security or any such installment of interest is due and payable.

"Subsidiary" is defined to mean, with respect to any Person including, without limitation, the Company and its Subsidiaries, (i) any corporation or other entity of which such Person owns, directly or indirectly, a majority of the Capital Stock or other ownership interests and has ordinary voting power to

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elect a majority of the board of directors or other persons performing similar functions, and (ii) with respect to the Company and, as appropriate, its Subsidiaries, any Permitted Joint Venture, including, without limitation, Coso Land Company Joint Venture, Coso Finance Partners, Coso Energy Developers and Coso Power Developers, provided that in respect of any Subsidiary that is not a Permitted Joint Venture, the Company must exercise control over such Subsidiary and its Property to the same extent as a Permitted Joint Venture.

"Subsidiary Refinancing Debt" is defined to mean Debt issued in exchange for, or the proceeds of which are used to refinance (including to purchase), outstanding Debt of a Restricted Subsidiary or an Eligible Joint Venture, including, without limitation, Construction Financing, in an amount (or, if such new Debt provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration thereof, with an original issue price) not to exceed the amount so exchanged or refinanced (plus accrued interest or dividends and all fees, premiums (in excess of accreted value) and expenses related to such exchange or refinancing), for which purpose the amount so exchanged or refinanced will not exceed, in the case of Debt, to the lesser of (x) the principal amount of the Debt so exchanged or refinanced and (y) if the Debt being exchanged or refinanced was issued with an original issue discount, the accreted value thereof (as determined in accordance with GAAP) at the time of such exchange or refinancing, and, in the case of an equity investment made in lieu or as part of Construction Financing, Debt, in an amount not to exceed the capital and surplus shown on the balance sheet of such Restricted Subsidiary or Eligible Joint Venture, provided that (A) such Debt will be Non-Recourse if the Debt so exchanged or refinanced is Non-Recourse

and (B) the Average Life of the new Debt will be equal to or greater than the Average Life of the Debt to be exchanged or refinanced, provided further that upon the first refinancing of any Construction Financing of a Restricted Subsidiary or an Eligible Joint Venture, (i) the amount of the Subsidiary Refinancing Debt issued in exchange for or to refinance such Construction Financing will not be limited by this provision and (ii) the Subsidiary Refinancing Debt issued in exchange for or to refinance such Construction Financing will not be subject to the provisions of the foregoing clause (B) of this provision.

"Trade Payables" is defined to mean, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors Incurred, created, assumed or Guaranteed by such Person or any of its Subsidiaries or Joint Ventures arising in the ordinary course of business.

"Unrestricted Subsidiary" is defined to mean any Subsidiary of the Company that becomes an Unrestricted Subsidiary in accordance with the requirements set forth in the next sentence. The Company may designate any Restricted Subsidiary as an Unrestricted Subsidiary if (a) such designation is in compliance with the first paragraph of the covenant described under "Limitation on Restricted Payments" above and (b) after giving effect to such designation, such Subsidiary does not own, directly or indirectly, a majority of the Capital Stock or the Voting Stock of any other Restricted Subsidiary unless such other Restricted Subsidiary is designated as an Unrestricted Subsidiary at the same time. Any such designation will be effected by filing with the Trustee an Officers' Certificate certifying that such designation complies with the requirements of the immediately preceding sentence. No Debt or other obligation of an Unrestricted Subsidiary may be with recourse to the Company, any of its Restricted Subsidiaries, any Eligible Joint Venture or any of their respective Property. An Unrestricted Subsidiary may be designated as a Restricted Subsidiary if, (i) all the Debt of such Unrestricted Subsidiary could be

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Incurred under the provision described under "Limitation on Subsidiary Debt" above and (ii) any portion of such Debt could not be Incurred under such provision, if the Company could borrow all such remaining Debt under the provision described in the first paragraph under "Limitation on Debt" above.

"U.S. Government Obligations" is defined to mean securities that are (i) direct obligations of the U.S. 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 U.S., the payment of which is unconditionally guaranteed as a full faith and credit obligation by the U.S., that, in either case are not callable or redeemable at the option of the issuer thereof, and will also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligations 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.

"Voting Stock" is defined to mean, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors (or persons fulfilling similar responsibilities) of such Person.

CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

GENERAL

The following is a summary, based on the opinion of Willkie Farr & Gallagher, counsel to the Company, of the anticipated material United States federal income tax consequences of the purchase, ownership and disposition of the Notes. This summary is based upon the Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as in effect and existing on the date of this Prospectus and all of which are subject to change at any time, which change may be retroactive. In particular, the discussion below of "Original Issue Discount"

is based in part on proposed regulations released on December 22, 1992, but not yet effective (the "Proposed OID Regulations"). While the 1992 Proposed OID Regulations will be effective for debt instruments issued on or after April 4, 1994 and therefore may not be applicable to the Notes, the 1992 Proposed OID Regulations are the most current indication of the views of the Internal Revenue Service (the "Service") with respect to the federal income tax treatment of debt instruments having original issue discount ("OID").

Unless otherwise specified, the discussion below assumes that the rules set forth in the Proposed OID Regulations will control the tax treatment of the Notes. However, changes may be made to the Proposed OID Regulations or final OID regulations may be adopted that would apply to the Notes and that may be contrary to the interpretations of the Proposed OID Regulations discussed below. Because of the lack of definitive regulatory authority, no assurance can be given that the Service will agree with the interpretations of the Proposed OID Regulations discussed below or that the final OID regulations will not differ materially from the Proposed OID Regulations or subsequent versions thereof.

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This summary applies only to those persons who are the initial Holders of the Notes and who hold Notes as capital assets and does not address the tax consequences to taxpayers who are subject to special rules (such as financial institutions, tax-exempt organizations and insurance companies) or aspects of federal income taxation that may be relevant to a prospective investor based upon such investor's particular tax situation. Accordingly, purchasers of Notes should consult their own tax advisors with respect to the particular consequences to them of the purchase, ownership and disposition of the Notes, including the applicability of any state, local or foreign tax laws to which they may be subject as well as with respect to the possible effects of changes in federal and other tax laws.

ORIGINAL ISSUE DISCOUNT

General. Because the Notes are being issued at a discount from their "stated redemption price at maturity," the Notes will have OID for federal income tax purposes. For federal income tax purposes, OID on a Note will be the excess of the stated redemption price at maturity of the Note over its issue price. Because the Notes will be treated as being publicly offered under the Proposed OID Regulations, the issue price of the Notes will be the first price to the public (excluding bond houses and brokers) at which a substantial amount of Notes is sold.

The stated redemption price at maturity of a Note will be the sum of all payments to be made on such Note other than "qualified stated interest" payments. Qualified stated interest is stated interest that is unconditionally payable at least annually at a single fixed rate that appropriately takes into account the length of the interval between payments. As cash interest payments on the Notes will not commence prior to July 15, 1997, the interest payments on the Notes will not constitute qualified stated interest and thus will be included along with principal in the stated redemption price at maturity of the Notes. As a result, each Note will bear OID in an amount equal to the excess of (i) the sum of its principal amount and all stated interest payments over (ii) its issue price.

A Holder will be required to include OID in income periodically over the term of a Note before receipt of the cash or other payment attributable to such income. In general, a Holder must include in gross income for federal income tax purposes the sum of the daily portions of OID with respect to the Note for each day during the taxable year or portion of a taxable year on which such Holder holds the Note ("Accrued OID"). The daily portion is determined by allocating to each day of any accrual period within a taxable year a pro rata portion of an amount equal to the adjusted issue price of the Note at the beginning of the accrual period multiplied by the yield to maturity of the Note. For purposes of computing OID, the Company will use six-month accrual periods that end on the days in the calendar year corresponding to the maturity date of the Notes and the date six months prior to such maturity date, with the exception of an initial short accrual period. The adjusted issue price of a Note at the beginning of any accrual period is the issue price of the Note increased by the Accrued OID for all prior accrual periods (less any cash payments on the Notes). Under

these rules, Holders may have to include in gross income increasingly greater amounts of OID in each successive accrual period.

Optional Redemption. If the Company exercises its rights to redeem the Notes (See "Description of the Notes--Optional Redemption"), the tax treatment of the

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redemption would be governed by the rules for dispositions generally. See "Disposition of the Notes." However, if the Company were found to have an intention at the time the Notes were issued to redeem them before maturity, any taxable income arising from such redemption would be treated as ordinary income to the extent of any unamortized OID.

If a Holder tenders Notes for redemption as a result of a Change of Control (See "Description of the Notes--Certain Covenants--Repurchase of Notes Upon a Change of Control"), the Holder may be required to include as ordinary income any amount the Holder is entitled to receive in excess of the Accreted Value of a Note on the date of the redemption. Holders should consult their own tax advisors regarding the treatment of payments upon optional redemptions.

DISPOSITION OF THE NOTES

Generally, any sale or redemption of the Notes will result in taxable gain or loss equal to the difference between the amount of cash or other property received and the Holder's adjusted tax basis in the Note. A Holder's adjusted tax basis for determining gain or loss on the sale or other disposition of a Note will initially equal the cost of the Note to such Holder and will be increased by any Accrued OID includible in such Holder's gross income and decreased by the amount of any cash payments received by such Holder regardless of whether such payments are denominated as principal or interest. Any gain or loss upon a sale or other disposition of a Note will generally be capital gain or loss, which will be long term if the Note has been held by the Holder for more than one year.

BACKUP WITHHOLDING

A Holder may be subject, under certain circumstances, to backup withholding at a 31 percent rate with respect to payments received with respect to the Notes. This withholding generally applies only if the Holder (i) fails to furnish his or her social security or other taxpayer identification number ("TIN"), (ii) furnishes an incorrect TIN, (iii) is notified by the Service that he or she has failed to report properly payments of interest or dividends and the Service has notified the Company that he or she is subject to backup withholding, or (iv) fails, under certain circumstances, to provide a certified statement, signed under penalty of perjury, that the TIN provided is his or her correct number and that he or she is not subject to backup withholding. Any amount withheld from a payment to a Holder under the backup withholding rules is allowable as a credit against such Holder's Federal income tax liability, provided that the required information is furnished to the Service. Certain Holders (including, among others, corporations and foreign individuals who comply with certain certification requirements described below under "Foreign Holders") are not subject to backup withholding. Holders should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining such an exemption.

FOREIGN HOLDERS

The following discussion is a summary of certain United States federal income tax consequences to a Foreign Person that holds a Note. The term "Foreign Person" means a Holder that is not (i) an individual who is a citizen or resident of the United States, (ii) a corporation or partnership created or organized in the United States or under the law of the United States or any state or (iii) an estate or trust, the income of which is includable in gross income for United States federal income tax purposes regardless of its source, but only if the income or gain on the Note is not effectively connected with the conduct of a trade or business within the United States by such Holder. If the income or gain on the Note is effectively connected with the conduct of a

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trade or business within the United States, then the nonresident alien individual or foreign corporation will be subject to tax on such income or gain in essentially the same manner as a U.S. citizen or

resident or a domestic corporation, as discussed above, and in the case of a foreign corporation, may also be subject to the branch profits tax (unless such branch profits tax is reduced or eliminated under an applicable treaty).

Under the "portfolio interest" exception to the general rules for the withholding of tax on interest and OID paid to a Foreign Person, a Foreign Person will not be subject to U.S. tax (or to withholding) on interest or OID on a Note, provided that (i) the Foreign Person does not actually or constructively own 10% or more of the total combined voting power of all classes of stock of the Company entitled to vote and is not a controlled foreign corporation with respect to the United States that is related to the Company through stock ownership, and (ii) the Company, its paying agent or the person who would otherwise be required to withhold tax receives either (A) a statement (an "Owner's Statement") signed under penalties of perjury by the beneficial owner of the Note in which the owner certifies that the owner is not a U.S. person and which provides the owner's name and address, or (B) a statement signed under penalties of perjury by the Financial Institution holding the Note on behalf of the beneficial owner, together with a copy of the Owner's Statement. The term "Financial Institution" means a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business and that holds a Note on behalf of the owner of the Note. A Foreign Person who does not qualify for the "portfolio interest" exception would, under current law, generally be subject to U.S. withholding tax at a flat rate of 30% (or a lower applicable treaty rate) on interest payments and payments (including redemption proceeds) attributable to OID on the Notes.

In general, gain recognized by a Foreign Person upon the redemption, sale or exchange of a Note will not be subject to U.S. tax. However, a Foreign Person may be subject to U.S. tax at a flat rate of 30% (unless exempt by an applicable treaty) on any such gain if the Foreign Person is an individual present in the United States for 183 days or more during the taxable year in which the Note is redeemed, sold or exchanged, and certain other requirements are met.

UNDERWRITING

The Underwriters named below (the "Underwriters") have severally agreed, subject to the terms and conditions of the Underwriting Agreement (the form of which is filed as an exhibit to the Registration Statement of which this Prospectus is a part), to purchase from the Company, and the Company has agreed to sell to the Underwriters, the principal amount of the Notes set forth opposite their respective names below:

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UNDERWRITERS	PRINCIPAL AMOUNT OF NOTES
<S>	<C>
Lehman Brothers Inc.	$
Salomon Brothers Inc.	$
Donaldson, Lufkin & Jenrette Securities Corporation.	$

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Bear, Stearns & Co. Inc.	$
Total	$

</TABLE>

The Underwriting Agreement provides that the obligations of the Underwriters to purchase the Notes are subject to the approval of certain legal matters by their counsel and certain other conditions, and that if any of the Notes are purchased by the Underwriters pursuant to the Underwriting Agreement, all of the Notes agreed to be purchased by the Underwriters pursuant to the Underwriting Agreement must be so purchased.

The Company has been advised that the Underwriters propose to offer the Notes initially at the public offering price set forth on the cover page of this Prospectus plus accrued original issue discount, if any, to the date of delivery and to certain selected dealers (who may include Underwriters) at such public offering price

less a selling concession not to exceed % of the principal amount of the Notes. The selected dealers may reallow a concession to certain other dealers not to exceed % of the principal amount of the Notes. After the initial public offering of the Notes, the public offering price, the concession to selected dealers and the reallowance to other dealers may be changed by the Underwriters.

The Notes have been approved for listing on the New York Stock Exchange, subject to official notice of issuance. The Company has been advised by each Underwriter that it presently intends to make a market in the Notes; however, the Underwriters are not obliged to do so. Any such market-making activity may be discontinued at any time, for any reason, without notice. If each Underwriter ceases to act as a market maker for the Notes for any reason, there can be no assurance that another firm or person will make a market in the Notes. There can be no assurance that an active market for the Notes will develop or, if a market does develop, at what price the Notes will trade. See "Investment Considerations--No Prior Public Market; Possible Volatility of Note Price."

Certain of the Underwriters have provided from time to time, and expect to provide in the future, investment banking services to the Company and its affiliates, for which such Underwriters have received and will receive customary fees.

The Underwriting Agreement provides that the Company will indemnify the Underwriters against certain liabilities and expenses, including liabilities under the Securities Act or contribute to payments the Underwriters may be required to make in respect thereof.

LEGAL MATTERS

The validity of the Notes offered hereby and certain other legal matters in connection with the Offering are being passed upon for the Company by Steven A. McArthur, Senior Vice President and General Counsel of the Company, and by Willkie Farr & Gallagher, New York, New York. Certain legal matters in connection with the Offering are being passed upon for the Underwriters by Skadden, Arps, Slate, Meagher & Flom, New York, New York.

EXPERTS

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The financial statements as of December 31, 1992 and 1993 and for each of the three years in the period ended December 31, 1993 included in this Prospectus and the related financial statement schedules included elsewhere in the Registration Statement have been audited by Deloitte & Touche, independent auditors, as stated in their reports appearing herein and elsewhere in the Registration Statement, and have been so included in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

With respect to the unaudited interim financial information for the periods ended March 31, 1992 and 1993, and June 30, 1992 and 1993, and September 30, 1992 and 1993 which is incorporated herein by reference, Deloitte & Touche have applied limited procedures in accordance with professional standards for a review of such information. However, as stated in their reports included in the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 1993, June 30, 1993 and September 30, 1993 and incorporated by reference herein, they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their reports on such information should be restricted in light of the limited nature of the review procedures applied. Deloitte & Touche are not subject to the liability provisions of Section 11 of the Securities Act for their reports on the unaudited interim financial information because those reports are not "reports" or a "part" of the Registration Statement prepared or certified by an accountant within the meaning of Sections 7 and 11 of the Securities Act.

CALIFORNIA ENERGY COMPANY, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

<TABLE>
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INDEPENDENT AUDITORS' REPORT

Board of Directors and Shareholders
California Energy Company, Inc.
Omaha, Nebraska

We have audited the accompanying consolidated balance sheets of California Energy Company, Inc. and subsidiaries as of December 31, 1993 and 1992, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1993. These

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financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of California Energy Company, Inc. and subsidiaries at December 31, 1993 and 1992 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1993, in conformity with generally accepted accounting principles.

As discussed in Note 8, the consolidated financial statements give effect to the Company's adoption, effective January 1, 1993, of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes".

Deloitte & Touche

Omaha, Nebraska
February 24, 1994

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 1993 AND DECEMBER 31, 1992
(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>
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	1993	1992
<S>	<C>	<C>
ASSETS		
Cash and investments	$127,756	$ 54,671
Joint venture cash and investments (Note 5)	14,943	8,848
Restricted cash (Notes 4 and 5)	48,105	62,514
Accounts receivable	21,658	16,172
Transmission line deposit (Note 13)	--	7,684
Due from Joint Ventures	1,394	--
Geothermal power plant and development costs, net (Notes 4 and 5)	458,974	389,646
Equipment, net of accumulated depreciation of $4,773 and $3,996	4,540	4,312
Notes receivable--Joint Ventures (Note 13)	11,280	9,997
Deferred charges and other assets	27,334	26,706
Total assets	$715,984	$580,550
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Accounts payable	$ 607	$ 3,146
Other accrued liabilities	19,866	18,111

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Income taxes payable (Note 8)	4,000	--
Project finance loans (Note 5)	246,880	263,604
Due to Joint Ventures	--	469
Senior notes (Note 6)	35,730	35,730
Convertible subordinated debentures (Note 7)	100,000	--
Deferred income taxes	18,310	15,212
Total liabilities	425,393	336,272
Deferred income (Note 4)	20,288	21,164
Commitments and contingencies (Notes 3, 6,9, 13 and 16)		
Redeemable preferred stock (Note 10)	58,800	54,350
Stockholders' equity (Notes 11 and 12):		
Preferred stock--authorized 2,000 shares, no par value (Note 10)	--	--
Common stock--authorized 60,000 shares, par value $0.0675 per share issued and outstanding 35,446 and 35,258 shares	2,404	2,380
Additional paid in capital	100,965	97,977
Retained earnings	111,031	68,407
Treasury stock--157 common shares at cost	(2,897)	--
Total stockholders' equity	211,503	168,764
Total liabilities and stockholders' equity	$715,984	$580,550

</TABLE>

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE YEARS ENDED DECEMBER 31, 1993
(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>
<CAPTION>

	1993	1992	1991
<S>	<C>	<C>	<C>
Revenue:			
Sales of electricity and steam	$132,059	$117,342	$106,184
Interest and other income	17,194	10,187	9,379
Total revenues	149,253	127,529	115,563
Cost and expenses:			
Plant operations	25,362	24,440	23,525
General and administration	13,158	13,033	12,476
Royalties	8,274	7,710	5,505
Depreciation and amortization	17,812	16,754	14,752
Interest	30,205	20,459	29,814
Less interest capitalized	(6,816)	(5,599)	(5,375)
Total expenses	87,995	76,797	80,697
Income before provision for income taxes	61,258	50,732	34,866

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Provision for income taxes (Note 8).....	18,184	11,922	8,284
Income before change in accounting principle and extraordinary item.....	43,074	38,810	26,582
Cumulative effect of change in accounting principle (Note 8).....	4,100	--	--
Extraordinary item (Note 15).....	--	(4,991)	--
Net income.....	47,174	33,819	26,582
Preferred dividends.....	4,630	4,275	--
Net income available to common stockholders.....	$ 42,544	$ 29,544	$ 26,582
Income per share before change in accounting principle and extraordinary item.....	$ 1.00	$ .92	$ .75
Cumulative effect of change in accounting principle (Note 8).....	.11	--	--
Extraordinary item (Note 15).....	--	(0.13)	--
Net income per share.....	$ 1.11	$ 0.79	$ 0.75
Average number of shares outstanding.....	38,485	37,495	35,471

</TABLE>

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE THREE YEARS ENDED DECEMBER 31, 1993
(DOLLARS AND SHARES IN THOUSANDS)

<TABLE>
<CAPTION>

	OUTSTANDING COMMON SHARES	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TREASURY STOCK	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance January 1, 1991.	23,218	$1,567	$ 39,353	$ 14,168	$ --	$ 55,088
Exercise of stock options.....	2,329	157	14,959	--	--	15,116
Sale and private placement of common stock (Note 12).....	6,505	439	43,237	--	--	43,676
Exercise of warrants..	660	45	2,897	--	--	2,942
Issue costs of sale of preferred stock.....	--	--	(276)	--	--	(276)
Net income.....	--	--	--	26,582	--	26,582
Balance December 31, 1991.....	32,712	2,208	100,170	40,750	--	143,128
Exercise of stock options.....	1,544	67	2,764	--	--	2,831
Exercise of warrants..	612	41	1,206	--	--	1,247
Issue costs on stock..	--	--	(96)	--	--	(96)
Purchases/issuances of treasury stock for exercise of options and warrants, net of proceeds of $797.....	(565)	--	(4,090)	--	--	(4,090)

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Preferred stock dividends, Series B & C, including cash distributions of $134	--	--	--	(6,162)	--	(6,162)
Retirement of warrants	--	--	(11,716)	--	--	(11,716)
Tax benefit from stock plan	--	--	3,420	--	--	3,420
Net income before preferred dividends	--	--	--	33,819	--	33,819
Conversion of preferred stock to common stock	955	64	6,319	--	--	6,383
Balance December 31, 1992	35,258	2,380	97,977	68,407	--	168,764
Exercise of stock options	258	18	937	--	--	955
Issuance of stock for purchase of Ben Holt Co	87	6	1,551	--	--	1,557
Purchase of treasury stock	(157)	--	--	--	(2,897)	(2,897)
Preferred stock dividends, Series C, including cash distributions of $100	--	--	--	(4,550)	--	(4,550)
Tax benefit from stock plan	--	--	500	--	--	500
Net income before preferred dividends	--	--	--	47,174	--	47,174
Balance December 31, 1993	35,446	$2,404	$100,965	$111,031	$(2,897)	$211,503

</TABLE>

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE YEARS ENDED DECEMBER 31, 1993
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	1993	1992	1991
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income	$ 47,174	$ 33,819	$ 26,582
Adjustments to reconcile net cash flow from operating activities:			
Depreciation and amortization	17,812	16,754	14,752
Amortization of deferred financing costs	1,013	967	1,054
Expense of previously deferred financing costs	--	3,895	--
Provision for deferred income taxes	3,098	3,645	5,889
Other	--	--	(639)

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Changes in other items:			
Accounts receivable	(5,486)	1,279	(3,701)
Accounts payable and other accrued liabilities	(784)	(7,082)	(10,890)
Deferred income	(876)	(851)	(589)
Income tax payable	4,000	(1,202)	713
Other assets	(177)	814	(2,157)
Net cash flows from operating activities	65,774	52,038	31,014
Cash flows from investing activities:			
Capital expenditures relating to power plants	(10,295)	(6,711)	(112)
Well and resource development expenditures for existing projects	(16,565)	(19,203)	(20,564)
Acquisition of equipment	(1,104)	(1,093)	(773)
Acquisition of Nevada, Utah properties	--	--	(43,062)
Pacific Northwest, Nevada, and Utah exploration costs	(19,060)	(4,145)	(3,866)
Yuma--construction in progress	(40,167)	(1,294)	--
Transmission line deposit	7,684	(118)	(1,404)
Decrease (increase) in restricted cash	14,409	9,882	(2,217)
Decrease (increase) in other investments	941	(14,503)	--
Net cash flows from investing activities	(64,157)	(37,185)	(71,998)
Cash flows from financing activities:			
Proceeds from sale of common, treasury and preferred stocks and exercise of warrants and options	2,912	8,065	111,458
Repayment of project finance loans	--	(17,098)	(10,100)
Repayment of project loans	(16,724)	(6,277)	--
Retirement of project finance loans	--	(204,210)	--
Payment of other senior notes	--	--	(6,000)
Proceeds from refinancing	--	269,881	2,400
Proceeds from issue of convertible subordinated debentures	100,000	--	--
Increase in restricted cash related to the refinancing	--	(65,670)	--
Net change in short-term bank loan	--	--	(15,000)
Deferred charges relating to debt financing	(2,582)	(2,937)	(58)
Decrease (increase) in amounts due from Joint Ventures	(3,146)	6,198	(6,180)
Purchase of warrants	--	(11,716)	--
Proceeds from pre-sale of steam	--	--	20,317
Purchase of treasury stock	(2,897)	(4,887)	--
Net cash flows from financing activities	77,563	(28,651)	96,837
Net increase (decrease) in cash and investments	79,180	(13,798)	55,853
Cash and investments at beginning of period	63,519	77,317	21,464
Cash and investments at end of period	$142,699	$ 63,519	$ 77,317
Interest paid (net of amounts capitalized)	$ 20,136	$ 19,237	$ 24,435
Income taxes paid	$ 6,819	$ 4,129	$ 1,682

</TABLE>

The accompanying notes are an integral part of these financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE YEARS ENDED DECEMBER 31, 1993
(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

1. BUSINESS

California Energy Company, Inc. (the Company) was formed in 1971. It is primarily engaged in the exploration for and development of geothermal resources and conversion of such resources into electrical power and steam for sale to electric utilities, and the development of other environmentally responsible forms of power generation.

The Company has organized several partnerships and joint ventures (herein referred to as Coso Joint Ventures) in order to develop geothermal energy at the China Lake Naval Air Weapons Station, Coso Hot Springs, China Lake, California. Collectively, the projects undertaken by the Coso Joint Ventures are referred to as the Coso Project. The Company is the operator and holds interests between 46.4% and 50.0% in the Coso Joint Ventures after payout. Payout is achieved when a Coso Joint Venture has returned the initial capital to the Coso Joint Venturers. In addition, the Company is exploring geothermal resources in Northern California, Washington and Oregon (collectively the Pacific Northwest). In January 1991, the Company acquired a power plant and an interest in steam fields in Nevada and Utah (See Note 4--Nevada and Utah Properties). In 1992, the Company entered into the natural gas-fired electrical generation market through the purchase of a development opportunity in Yuma, Arizona. Commercial operation of the Yuma project will commence in 1994. In 1993, the Company started developing a number of international power project opportunities where private power generating programs have been initiated, including the Philippines and Indonesia.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, and its proportionate share of the Coso Joint Ventures in which it has invested. All significant inter-enterprise transactions and accounts have been eliminated.

Investments and Restricted Cash

Investments other than restricted cash are primarily commercial paper and money market securities. The restricted cash balance includes such securities and mortgage backed securities, and is mainly composed of the Coso Joint Ventures' debt service reserve funds. The debt service reserve funds are legally restricted to their use and require the maintenance of specific minimum balances. The carrying amount of the investments approximates the fair value based on quoted market prices as provided by the financial institution which holds the investments.

Well, Resource Development and Exploration Costs

The Company follows the full cost method of accounting for costs incurred in connection with the exploration and development of geothermal resources. All such costs, which include dry hole costs and the cost of drilling and equipping production wells, as well as directly attributable administrative and interest costs, are capitalized and amortized over their estimated useful lives when production commences. The estimated useful lives of production wells are ten years each; exploration costs and development costs, other than production

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wells, are generally amortized over the weighted average remaining term of the Company's power and steam purchase contracts. For purposes of current period visibility and disclosure, all such costs are identified in the Consolidated Statements of Cash Flows as they are incurred.

Deferred Well and Rework Costs

Well rework costs are deferred and amortized over the estimated period between reworks. These deferred costs of $1,305 and $1,592 at December 31, 1993 and 1992, respectively are included in other assets. Currently, both production and injection well reworks are amortized over twelve months.

Fixed Assets and Depreciation

The cost of major additions and betterments are capitalized, while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed.

Depreciation of the operating power plants is computed on the straight-line method over the estimated useful lives resulting in a composite rate of depreciation of approximately 2.67% per annum. Depreciation of furniture, fixtures and equipment, which are recorded at cost, is computed on the straight-line method over the estimated useful lives of the related assets, which range from three to ten years.

Capitalization of Interest and Deferred Financing Costs

Prior to the commencement of operations, interest is capitalized on the costs of the plants and geothermal resource development to the extent incurred. Capitalized interest and other deferred charges are amortized over the lives of the related assets.

Deferred financing costs are amortized over the term of the related financing. Loan fees are amortized using the implicit interest method; other deferred financing costs are amortized using the straight-line method. Accumulated amortization at December 31, 1993 and 1992 was approximately $1,954 and $950, respectively.

Revenue Recognition

Revenues are recorded based upon service rendered and electricity and steam delivered to the end of the month.

Management Fee and Interest Revenue Recognition

The Company charges the Coso Joint Ventures management fees, operator fees and interest on outstanding advances. Recognition of fees and interest relating to power plants and resource development of the Coso Joint Ventures in which the Company has invested is deferred until each Coso Joint Venture commences operations. Revenue previously deferred is amortized over the lives of the related assets of the Coso Joint Ventures as each Coso Joint Venture becomes operational.

Deferred Income Taxes

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On January 1, 1993, the Company adopted Statement of Financial Accounting Standard No. 109 (FAS 109), "Accounting for Income Taxes". The adoption of FAS 109 changes the Company's method of accounting for income taxes from the deferred method as required by Accounting Principles Board Opinion No. 11 to an asset and liability approach.

Net Income Per Common Share

Earnings per common share are based on the weighted average number of common and dilutive common equivalent shares outstanding during the period computed using the treasury stock method.

Cash Flows

The statement of cash flows classifies changes in cash according to operating, investing or financing activities. Investing activities include capital expenditures incurred in connection with the power plants, wells, resource development and exploration costs. The Company considers all investment instruments purchased

with a maturity of three months or less to be cash equivalents. Restricted cash is not considered a cash equivalent.

Reclassification

Certain amounts in the fiscal 1992 and 1991 financial statements and supporting footnote disclosures have been reclassified to conform to the fiscal 1993 presentation. Such reclassification did not impact previously reported net income or retained earnings.

3. INTEREST RATE SWAP AGREEMENTS

In January 1993, the Coso Joint Ventures entered into five year deposit interest rate swap agreements which effectively convert a notional deposit, the Company's portion of the balance is $20,300 (restricted cash and investments), from a variable rate to a fixed rate. The Company's proportion of the deposit amount accretes annually to a maximum amount of approximately $29,300 in 1996. Under the agreements, which mature on January 11, 1998, the Coso Joint Ventures make semi-annual payments to the counter party at variable rates based on LIBOR, reset and compounded every three months, and in return receive payments based on a fixed rate of 6.34%. The effective LIBOR rate ranged from 3.25% to 3.375% during 1993 and was 3.375% at December 31, 1993. The counter party to this agreement is a large multi-national financial institution. The Company's proportionate share of the carrying amount, representing accrued interest receivable, and the fair value of the swap agreements are $277 and $1,281, respectively. The fair value is based on quoted market prices provided by the counter party to the swap.

In September 1993, the Company entered into a three year deposit interest rate swap agreement, which effectively converts a notional deposit balance of $75,000 from a variable rate to a fixed rate. The Company makes semi-annual payments to the counter party at effectively the LIBOR rate, reset every six months, and in return receives payments based on a fixed rate of 4.87%. The counter party to this agreement is the same counter party to the Coso Joint

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Ventures. The carrying amount is $286, representing accrued interest receivable. The fair value of the interest rate swap is currently negative in the amount of $642 which is based on quoted market prices provided by the counter party to the swap.

4. PROPERTIES AND PLANTS

Properties and plants comprise the following at December 31:

<TABLE>
<CAPTION>

	1993	1992
<S>	<C>	<C>
Project costs:		
Power plants	$246,219	$235,924
Well and resource development	161,137	144,595
Total operating facilities	407,356	380,519
Less accumulated depreciation and amortization	(67,813)	(51,054)
Net operating facilities	339,543	329,465
Well and resource development in progress	939	916
Total project costs	340,482	330,381
Pacific Northwest geothermal exploration costs	41,539	25,882
Nevada and Utah properties	35,492	32,089
Yuma--construction in progress	41,461	1,294
Total	$458,974	$389,646

</TABLE>

Operating Facilities

The Coso operating facilities comprise the Company's proportionate share of the assets of three of its Joint Ventures; Coso Finance Partners (Navy I Joint Venture), Coso Energy Developers (BLM Joint Venture), and Coso Power Developers (Navy II Joint Venture). With respect to the Coso Project, distributions from its project accounts are made semi-annually to each Coso Joint Venture partner for profit sharing under a prescribed calculation subject to mutual agreement by the partners and compliance with the Coso Joint Ventures' financing documents. As of December 31, 1993, payout had only been reached on Units 2 and 3 of the Navy I power plant.

Navy I Plant

The Navy I Plant consists of three turbines, of which one unit commenced delivery of firm power in August 1987, and the second and third units in December 1988. The 80 NMW power plant is located on land owned by and leased from the U.S. Navy through December 2009, with a 10 year extension at the option of the Navy. Under terms of the Navy I Joint Venture, profits and losses were allocated approximately 49% before payout of units 2 and 3 and approximately 46.4% thereafter to the Company.

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BLM Plant

The BLM Plant consists of two turbines at one site (BLM East), which commenced delivery of firm power in March and May 1989, respectively, and one turbine at another site (BLM West) which commenced delivery of firm power in August 1989. The BLM Plant is situated on lands leased from the U.S. Bureau of Land Management under a geothermal lease agreement that extends until October 31, 2035. The lease may be extended to 2075 at the option of the BLM. Under the terms of the BLM Joint Venture agreement, the Company's share of profits and losses before and after payout is approximately 45% and 48%, respectively. During 1990, the Company upgraded the cooling tower and turbines to increase the plant's capacity to 80 NMW from the initial level of 70 NMW.

Navy II Plant

The Navy II Plant consists of three turbines, of which two units commenced delivery of firm power in January 1990, and the third in February 1990, respectively. The 80 NMW power plant is on the southern portion of the Navy lands. Under terms of the Joint Venture, all profits, losses and capital contributions for Navy II are divided equally by the two partners.

Significant Customer

All of the Company's sales of electricity from the Coso Project, which comprise approximately 94% of 1993 electricity and steam revenues, are to Southern California Edison (SCE) and are under long-term power purchase contracts. Under the terms of these contracts, SCE pays firm prices for the energy portion of the contract. The energy payment escalates pursuant to the contracts at an average rate of approximately 7.0% per year for the delivery of electricity for ten years, commencing with the initial delivery of electricity at firm power; thereafter, the energy payment adjusts to the actual avoided energy cost experienced by SCE at that time. The capacity payment, which initially represented approximately 25% of the Company's revenue, remains fixed during the entire period of the contract. In addition, the Company is eligible for bonus payments based on the amount by which the actual output exceeds the contract capacity of each power plant. Bonus payments aggregated $3,050, $3,257 and $2,635 in the years ended December 31, 1993, 1992 and 1991.

The Company has three contracts for terms of 24, 30 and 20 years, expiring in 2011, 2019 and 2010, respectively. Delivery of electricity by the Navy I Joint Venture, the BLM Joint Venture and the Navy II Joint Venture commenced under those contracts in 1987, 1989 and 1990, respectively.

See Note 13 for a description of litigation involving SCE.

Royalties

Royalties comprise the following for the years ended:

<TABLE>
<CAPTION>

	1993	1992	1991

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(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<S>	<C>	<C>	<C>
Navy I, Unit I	$1,556	$2,014	$1,787
Navy I, Units 2 and 3	2,924	2,628	1,160
BLM	1,868	1,268	1,033
Navy II	1,717	1,509	1,486
Other	209	291	39
Total	$8,274	$7,710	$5,505

</TABLE>

The amount of royalties paid by the Company to the U.S. Navy to develop geothermal energy for Navy I, Unit 1 on the lands owned by the Navy comprises (i) a fee payable during the term of the contract based on the difference between the amounts paid by the Navy to SCE for specified quantities of electricity and the price as determined under the contract (which currently approximates 65% of that paid by the Navy to SCE), and (ii) $11,600 payable in December 2009. The $11,600 payment is secured by funds placed on deposit monthly, which funds, plus accrued interest, will aggregate $11,600. The monthly deposit is currently $23. As of December 31, 1993, the balance of funds deposited approximated $1,283, which amount is included in restricted cash and accrued liabilities.

Units 2 and 3 of Navy I and the Navy II power plants are on Navy lands, on which the Navy receives a royalty based on electric sales revenue at the initial rate of 4% escalating to 22% by the end of the contract in December 2019. The BLM is paid a royalty of 10% of the value of steam produced by the geothermal resource supplying the BLM Plant.

Pacific Northwest Geothermal Exploration Costs

In the Pacific Northwest, the Company has acquired leasehold rights and has performed certain geological evaluations to determine the resource potential of the underlying properties. Recovery of those costs is ultimately dependent upon the Company's ability to prove geothermal reserves and sell geothermal steam, or to obtain financing, build power plants, gain access to high voltage transmission lines, and sell the resultant electricity at favorable prices or, sell its leaseholds. In the opinion of management, the Company will be able to realize its exploration costs through the generation of electricity for sale.

Nevada and Utah Properties

On May 3, 1990, the Company entered into a definitive purchase agreement with a subsidiary of Chevron Corporation (Chevron) for the acquisition of certain geothermal operations, including interests in approximately 83,750 acres of geothermal properties in Nevada and Utah, for an aggregate purchase price of approximately $51,100. These property interests consist largely of leasehold interests, including properties leased from the BLM and from private landowners.

The property acquired from Chevron includes a 9 MW power plant at Desert Peak, Nevada ("Desert Peak"), and a 70% interest in a steam field at Roosevelt Hot Springs, Utah ("Roosevelt Hot Springs"). The facility at Desert Peak is

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currently selling electricity to Sierra Pacific Power Company under a contract that runs through 1995 and then may be extended on a year-to-year basis as agreed by the parties. The price for electricity under this contract is 6.5 cents per kWh, comprising an energy payment of 2.0 cents per kWh (which is adjustable pursuant to an inflation based index) and a capacity payment of 4.5 cents per kWh. The Roosevelt Hot Springs site has a contract to sell steam to a 25 MW power plant owned by Utah Power and Light Company (UP&L) and to dispose of the brine that is a by-product of the electricity production process.

As part of the Nevada and Utah properties acquisition the Company acquired leasehold interests in an aggregate of approximately 20,000 acres at the Roosevelt site in Utah and approximately 63,750 acres at four sites in Nevada. The Roosevelt Hot Springs and Desert Peak properties have been the subject of exploration and testing by Chevron and its predecessors. Based on these tests and reports of independent engineering companies, the Company believes that there are significant geothermal resources available for commercial development at these sites. Other tests conducted by Chevron and its predecessors indicate that commercially viable amounts of geothermal resources may underlie the other Chevron properties.

The Company financed the acquisition of Roosevelt Hot Springs through an equity offering, a $20,317 pre-sale of steam from the Roosevelt Hot Springs field to the utility-owned power plant located at the site, and seller financing. The acquisition of Roosevelt Hot Springs and certain of the Nevada properties closed on January 22, 1991 for an aggregate amount of approximately $35,000. The remainder of the transaction closed on March 28, 1991 and was financed with seller financing and the proceeds of the sale of common stock to Kiewit Energy Company (Kiewit Energy); see Note 12.

5. PROJECT LOANS

Project loans, which are non-recourse to the Company, comprise the following at December 31:

<TABLE>
<CAPTION>

	1993	1992
<S>	<C>	<C>
PROJECT LOANS with fixed interest rates (weighted average interest rates of 8.04% and 7.88% at December 31, 1993 and 1992, respectively) with scheduled repayments through December 2001.....	$246,880	$ 263,604

</TABLE>

The project loans are from Coso Funding Corp. ("Funding Corp."). Funding Corp. is a single-purpose corporation formed to issue notes for its own account and as an agent acting on behalf of Navy I, BLM, and Navy II Joint Ventures, collectively the "Coso Joint Ventures." Pursuant to separate credit agreements executed between Funding Corp. and each Coso Joint Venture on December 16, 1992, the proceeds from Funding Corp.'s note offering were loaned to the Coso Joint Ventures. The proceeds of $560,245 were used by the Coso Joint Ventures to (i) purchase and retire project finance debt comprised of the term loans and construction loans in the amount of $424,500, (ii) fund contingency funds in the amount of $68,400, (iii) fund debt service reserve funds in the amount of $40,000, and (iv) finance $27,345 of capital expenditures and transaction costs. The contingency fund and debt service reserve fund were required by the project loan agreements.

The contingency fund represented the approximate maximum amount, if any,

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which could theoretically have been payable by the Coso Joint Ventures to third parties to discharge all liens of record and other contract claims encumbering the Coso Joint Ventures' plant at the time of the project loans (See Note 13). The contingency fund was established in order to obtain investment-grade ratings to facilitate the offer and sale of the notes by Funding Corp., and such establishment did not reflect the Coso Joint Ventures' view as to the merits or likely disposition of such litigation or other contingencies. On June 9, 1993, MPE and the

Mission Power Group, subsidiaries of SCECorp., and the Coso Joint Ventures reached a final settlement of all of their outstanding disputes and claims relating to the construction of the Coso Project. As a result of the various payments and releases involved in such settlement, the Coso Joint Ventures agreed to make a net payment of $20,000 to MPE from the cash reserves of the Coso Project contingency fund and MPE agreed to release its mechanics' liens on the Coso Project. After making the $20,000 payment, the remaining balance of the Coso Project contingency fund (approximately $49,300) was used to increase the Coso Project debt reserve fund from approximately $43,000 to its maximum fully-funded requirement of $67,900. The remaining $24,400 balance of contingency fund was retained within the Coso Project for future capital expenditures and for Coso Project debt service payments. Since the Coso Project debt service reserve is fully funded in advance, Coso Project cash flows otherwise intended to fund the Coso Project debt service reserve fund, subject to satisfaction of certain covenants and conditions contained in the Coso Joint Ventures' refinancing documents, may be available for distribution to the Company in its proportionate share.

The loans are collateralized by, among other things, the power plants, geothermal resource, debt service reserve funds, contingency funds, pledge of contracts, and an assignment of all such Coso Joint Ventures' revenues which will be applied against the payment of obligations of each Coso Joint Venture, including the project loans. Each Coso Joint Venture's assets will secure only its own project loan, and will not be cross-collateralized with assets pledged under other Coso Joint Venture's credit agreements. The project loans are non-recourse to any partner in the Coso Joint Ventures and Funding Corp. shall solely look to such Coso Joint Venture's pledged assets for satisfaction of such project loans. However, the loans are cross-collateralized by the available cash flow of each Coso Joint Venture. Each Coso Joint Venture after satisfying a series of its own obligations has agreed to advance support loans (to the extent of available cash flow and, under certain conditions, its debt service reserve funds) in the event revenues from the supporting Coso Joint Ventures are insufficient to meet scheduled principal and interest on their separate project loans.

The annual repayments of the project loans for the five years beginning January 1, 1994 and thereafter are as follows:

<TABLE>
<CAPTION>

YEAR	AMOUNT
<S>	<C>
1994.....	$ 27,599
1995.....	32,109

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1996	38,826
1997	41,729
1998	38,912
Thereafter	67,705
	$246,880

</TABLE>

Based on quoted market rates of the Funding Corp. notes, the fair value of the project loan was approximately $260,276 at December 31, 1993.

In connection with the aforementioned refinancing, the Company entered into an agreement with Community Energy Alternatives Incorporated ("CEA") for the Company to purchase at the close of the Coso Project refinancing CEA's interest in the Coso Project. Until the close of the Coso Project refinancing, CEA had been a partner in a partnership structure organized by the Company's Joint Venture Partner in the BLM Project. The Company purchased the CEA interest under certain terms and conditions which are designed to provide the Company with a 17% per annum return on the CEA interest purchase price of $9,800. The Company's 17% per annum return is secured in part by a pledge and assignment to the Company of certain cash flows to be received by the Company's Coso Project Joint Venture Partner (and certain affiliates) from

Coso Project distributions. The Company has granted its Coso Project Joint Venture Partner the right to purchase the CEA interest for a price which will provide the Company a 17% per annum return for the duration the Company owns the CEA interest.

6. SENIOR NOTES

The Senior Notes are due in March 1995, and bear interest at the rate of 12% per annum, plus 10% of the Company's share of the cash flow from the Coso Project, commencing July 1, 1989 and terminating December 31, 1994. The Senior Notes prohibit the payment of cash dividends unless the Company has a net worth of at least $50,000 after payment of such dividends, and dividends do not exceed 50% of accumulated net income subsequent to December 31, 1987. The Senior Notes also place restrictions on capital expenditures not related to the Coso Project. The fair value of the Senior Notes approximates the carrying value.

7. CONVERTIBLE SUBORDINATED DEBENTURES

In June of 1993, the Company issued $100,000 principal amount of 5% convertible subordinated debentures (debentures) due July 31, 2000. The debentures are convertible into shares of the Company's common stock at any time prior to redemption or maturity at a conversion price of $22.50 per share, subject to adjustment in certain circumstances. Interest on the debentures is payable semi-annually in arrears on July 31 and January 31 of each year, commencing on July 31, 1993. The debentures are redeemable for cash at any time on or after July 31, 1996 at the option of the Company. The redemption prices commencing in the twelve month period beginning July 31, 1996 (expressed in percentages of the principal amount) are 102%, 101%, 100% and 100% in 1996, 1997, 1998 and 1999, respectively. The debentures are unsecured general obligations of the Company and subordinated to all existing and future senior

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indebtedness of the Company. The fair value of the debentures as of December 31, 1993 was approximately $103,250, which is based on quoted market rates.

8. INCOME TAXES

On January 1, 1993, the Company adopted Statement of Financial Accounting Standard No. 109 (FAS 109), "Accounting for Income Taxes." The adoption of FAS 109 changes the Company's method of accounting for income taxes from the deferred method as required by Accounting Principles Board Opinion No. 11 to an asset and liability approach. Under FAS 109, the net excess deferred tax liability as of January 1, 1993 was determined to be $4,100. This amount is reflected in 1993 income as the cumulative effect of a change in accounting principle. It primarily represents the recognition of the Company's tax credit carryforwards as a deferred tax asset. There was no cash impact to the Company upon the required adoption of FAS 109. Under FAS 109, the effective tax rate increased to approximately 30% from 23.5% in 1992. This increase was due to the Company's tax credit carryforward being recognized as an asset and unavailable to reduce the current period's effective tax rate for computing the Company's provision for income taxes.

Provision for income tax was comprised of the following at December 31:

<TABLE>
<CAPTION>

	1993	1992	1991
<S>	<C>	<C>	<C>
Currently payable:			
State	$ 3,300	$ 2,300	$ 2,134
Federal	7,686	4,444	261
	10,986	6,744	2,395
Deferred:			
State	385	1,607	929
Federal	6,813	2,038	4,960
	7,198	3,645	5,889
Total after benefit of extraordinary item	18,184	10,389	8,284
Tax benefit attributable to extraordinary item	--	1,533	--
Total before benefit of extraordinary item	$18,184	$11,922	$ 8,284

</TABLE>

The deferred expense is primarily temporary differences associated with depreciation and amortization of certain assets.

A reconciliation of the federal statutory tax rate to the effective tax rate applicable to income before provision for income taxes follows:

<TABLE>

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<CAPTION>

	1993	1992	1991
<S>	<C>	<C>	<C>
Federal statutory rate	35.00%	34.00%	34.00%
Percentage depletion in excess of cost depletion	(6.70)	(6.81)	(6.89)
Investment and energy tax credits	(4.62)	(10.52)	(10.93)
State taxes, net of federal tax effect	3.90	5.83	6.32
Cumulative effect of change in federal tax rate	1.90	--	--
Other	.20	1.00	1.26
	29.68%	23.50%	23.76%

</TABLE>

Deferred tax liabilities (assets) are comprised of the following at December 31:

<TABLE>
<CAPTION>

	1993
<S>	<C>
Depreciation and amortization, net	$111,117
Other	1,733
	112,850
Deferred income	(2,415)
Loss carryforwards	(39,529)
Energy and investment tax credits	(40,106)
Alternative minimum tax credits	(12,018)
Other	(472)
	(94,540)
Net deferred taxes	$ 18,310

</TABLE>

In 1992, the significant components of the deferred tax liability were timing differences in the computation of depreciation and amortization of the power plants and exploration and development costs for financial reporting purposes versus income tax purposes.

As of December 31, 1993, the Company has an unused net operating loss (NOL) carryover of approximately $113,000 for regular federal tax return purposes which expires primarily between 2001 and 2007. In addition, the Company has unused investment and geothermal energy tax credit carryforwards of approximately $40,106 expiring between 2002 and 2008. The Company also has approximately $12,018 of alternative minimum tax credit carryforwards which have no expiration date.

9. COMMITMENTS

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The Company's former office space lease, which requires annual rental of $660 through April 1994, has been partially sublet at annual rentals of $261 and remaining future rental costs were previously provided for in a restructuring charge. The Company also leases an aircraft under a lease that expires on August 1, 1995, at an annual rental of approximately $464. The aircraft has been subleased at an annual rental of approximately $300. Rental expense for the aircraft, vehicles, geothermal leases, and other equipment leases for the years ended December 31, 1993, 1992 and 1991 was approximately $1,143, $1,018 and $986 respectively.

Total projected lease commitments (net of sublease contracts) at December 31, 1993, are as follows:

<TABLE>
<CAPTION>

YEAR ENDED DECEMBER 31,	AMOUNT
<S>	<C>
1994	$318
1995	186
1996	8
Total	$512

</TABLE>

10. PREFERRED STOCK

SERIES A:

On December 1, 1988, the Company distributed a dividend of one preferred share purchase right (right) for each outstanding share of common stock. The rights are not exercisable until ten days after a person or group acquires or has the right to acquire, beneficial ownership of 20% or more of the Company's common stock or announces a tender or exchange offer for 30% or more of the Company's common stock. Each right entitles the holder to purchase one one-hundredth of a share of Series A junior preferred stock for $52. The rights may be redeemed by the Board of Directors up to ten days after an event triggering the distribution of certificates for the rights. The rights plan was amended in February 1991 so that the agreement with Kiewit Energy (See Note 12) would not trigger the exercise of the rights. The rights will expire, unless previously redeemed or exercised, on November 30, 1998. The rights are automatically attached to, and trade with, each share of common stock.

SERIES B:

On November 15, 1990, the Company sold 357.5 shares of convertible preferred stock, Series B at $14 per share. Each share of the convertible preferred stock was convertible into two shares of common stock, and had a dividend rate of 15% through November 15, 1992, 10% from November 16, 1992 to November 15, 1994 and 5% from November 16, 1994 to November 15, 1996. The dividends were payable semi-annually in convertible preferred stock, Series B.

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On November 15, 1992, the Company called the preferred stock for conversion into common stock. Each Series B preferred stock was converted into two shares of common stock; accordingly, the Company issued 954.9 shares of common stock.

SERIES C:

On November 19, 1991, the Company sold one thousand shares of convertible preferred stock, Series C at $50,000 per share to Kiewit Energy, in a private placement. Each share of the Series C preferred stock is convertible at any time at $18.375 per common share into 2,721 shares of common stock subject to customary adjustments. The Series C preferred stock has a dividend rate of 8.125%, commencing March 15, 1992 through conversion date or December 15, 2003. The dividends, which are cumulative, are payable quarterly in convertible preferred stock, Series C, through March 15, 1995 and in cash on subsequent dividend dates.

The Company is obligated to redeem 20% of the outstanding preferred stock, Series C each December 15, commencing 1999 through 2003 at a price per share equal to $50,000, plus accrued and unpaid dividends.

At any time after December 15, 1994, upon 20 days written notice, the Company may redeem all, or any portion consisting of at least $5,000, of the preferred stock, Series C, then outstanding, provided that the Company's common stock has traded at or above 150% of the then effective conversion price, for any 20 trading days out of 30 consecutive trading days ending not more than five trading days prior to notice of redemption.

The Company may also exchange the preferred stock, Series C, in whole or part on any dividend date commencing December 15, 1994, for 9.5% Convertible Subordinated Debentures of the Company due 2003.

Each share of preferred stock, Series C shall be entitled to the number of votes equal to $50,000 per share divided by the then effective conversion price. If cash dividends are in arrears six consecutive quarters, Kiewit Energy shall have the exclusive right, voting separately as a class, to elect two directors of the Company.

No cash dividends shall be paid or declared on the Company's common stock unless all accumulated dividends on the Series C preferred stock have been paid.

11. STOCK OPTIONS AND WARRANTS

The Company has issued various stock options and warrants. As of December 31, 1993, a total of 8,953 shares are reserved for stock options, of which 8,514 shares have been granted and remain outstanding at prices of $3.00 to $19.00 per share.

Stock Options

The Company has stock option plans under which shares were reserved for grant as incentive or non-qualified stock options, as determined by the Board of Directors. As of December 31, 1993, the total options granted for the non-1986 plan and the 1986 plan are 5,778 and 6,354, respectively. The plans allow options to be granted at 85% of their fair market value at the date of grant. Generally, options are issued at 100% of fair market value at the date of grant. Options granted under the 1986 Plan become exercisable over a period of three to five years and expire if not exercised within ten years from the date of grant or, in some instances a lesser term. Prior to the 1986 Plan, the

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Company granted 256 options at fair market value at date of grant which had terms of ten years and were exercisable at date of grant. In addition, the Company had issued

approximately 138 options to consultants on terms similar to those issued under the 1986 Plan. The non-1986 plan options are primarily options granted to Kiewit Energy; see Note 12.

Transactions in Stock Options

<TABLE>
<CAPTION>

		OPTIONS OUTSTANDING		
	SHARES AVAILABLE FOR GRANT UNDER 1986 OPTION PLAN	SHARES	OPTION PRICE PER SHARE	TOTAL
<S>	<C>	<C>	<C>	<C>
Balance January 1, 1991.	72	3,361	$ 3.00 - $13.096	$ 12,658
Options granted.....	(368)	8,268*	$ 8.063 - $14.875	89,193
Options terminated.....	304	(331)	$ 3.00 - $ 9.708	(3,065)
Options exercised.....	--	(2,328)*	$ 3.00 - $ 9.00	(15,116)
Additional shares reserved under 1986 Option Plan.....	1,230	--	--	--
Balance December 31, 1991.....	1,238	8,970*	$ 3.00 - $14.875	83,670
Options granted.....	(551)	751	$11.90 - $15.938	11,262
Options terminated.....	129	(780)	$ 3.00 - $11.625	(7,839)
Options exercised.....	--	(1,544)	$ 3.00 - $11.625	(7,072)
Balance December 31, 1992.....	816	7,397*	$ 3.00 - $15.938	80,021
Options granted.....	(1,396)	1,396	$17.75 - $19.00	26,209
Options terminated.....	19	(20)	$ 3.00 - $14.875	(114)
Options exercised.....	--	(259)	$ 3.00 - $14.875	(1,185)
Additional shares reserved under 1986 Option Plan.....	1,000	--	--	--
Balance December 31, 1993.....	439	8,514*	$ 3.00 - $19.00	$104,931
Options which became exercisable during:				
Year ended December 31, 1993.....		592	$ 3.00 - $19.00	$ 10,180
Year ended December 31, 1992.....		333	$ 3.00 - $15.938	$ 3,693
Year ended December 31, 1991.....		7,767*	$ 3.00 - $14.88	$ 79,890
Options exercisable at:				
December 31, 1993.....		7,026*	$ 3.00 - $19.00	$ 78,644
December 31, 1992.....		6,708*	$ 3.00 - $15.938	$ 69,739
December 31, 1991.....		8,070*	$ 3.00 - $14.88	$ 73,481

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</TABLE>

* Includes Kiewit Energy options. See Note 12.

Warrants

The Company has granted warrants in connection with various financing activities to purchase shares of common stock as follows:

<TABLE>
<CAPTION>

	WARRANTS OUTSTANDING		
	WARRANT SHARES	PRICE PER SHARE	TOTAL
<S>	<C>	<C>	<C>
Balance January 1, 1991.....	2,549	$2.04 - $6.67	$ 6,804
Warrants exercised.....	(660)	$2.04 - $6.67	(2,951)
Balance December 31, 1991.....	1,889	$2.04	3,853
Warrants exercised.....	(612)	$2.04	(1,247)
Warrants repurchased.....	(1,277)	$2.04	(2,606)
Balance December 31, 1992.....	--		$ --

</TABLE>

On October 13, 1992, the Company repurchased, and cancelled, certain warrants exercisable for 1,025 shares of unregistered common stock at $2.04 per share, for a purchase price of $9.16 per share or $9,389 in aggregate. Separately, Kiewit Energy simultaneously purchased and exercised other warrants to purchase 600 shares of unregistered common stock at $2.04 per share, providing the Company with proceeds of $1,224.

On October 27, 1992, the Company repurchased, and cancelled, certain warrants exercisable for 250 shares of unregistered common stock at $2.04 per share, for a purchase price of $9.316 per share or $2,329 in aggregate.

12. COMMON STOCK SALES & RELATED OPTIONS

In January 1991, the Company sold 2,505 shares of unregistered common stock at $6.75 per share for an aggregate total of $16,909. The funds were used to repay a portion of the seller financing related to the Company's acquisition of Chevron's interest in Roosevelt Hot Springs, Utah.

The Company and Kiewit Energy signed a stock purchase agreement and related agreements, dated as of February 18, 1991. Kiewit Energy is a subsidiary of Peter Kiewit Sons', Inc. of Omaha, Nebraska, a large construction and mining company with diversified operations. Under the terms of the agreements, Kiewit Energy purchased 4,000 shares of common stock at $7.25 per share and received options to buy 3,000 shares at a price of $9 per share exercisable over three years and an additional 3,000 shares at a price of $12 per share exercisable over five years (subject to customary adjustments).

In connection with this initial stock purchase, the Company and Kiewit Energy

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also entered into certain other agreements pursuant to which (i) Kiewit Energy and its affiliates agreed not to acquire more than 34% of the outstanding common stock (the Standstill Percentage) for a five-year period, (ii) Kiewit Energy became entitled to nominate at least three of the Company's directors, and (iii) the Company and Kiewit Energy agreed to use their best efforts to negotiate and execute a joint venture agreement relating to the development of certain geothermal properties in Nevada and Utah.

On June 19, 1991, the board approved a number of amendments to the stock purchase agreement and the related agreements. Pursuant to those amendments, the Company reacquired from Kiewit Energy the rights to develop the Nevada and Utah properties, and Kiewit Energy agreed to exercise options to acquire 1,500 shares of Common Stock at $9.00 per share, providing the Company with $13,500 in cash. The Company also extended the term of the $9.00 and $12.00 options to seven years; modified certain of the other terms of these options; granted to Kiewit Energy an option to acquire an additional 1,000 shares of the outstanding Common Stock at $11.625 per share (closing price for the shares on the American Stock Exchange on June 18, 1991 for a ten year term); and increased the Standstill Percentage from 34% to 49%.

On November 19, 1991, the Board approved the issuance by the Company to Kiewit Energy of one thousand shares of Series C Preferred Stock for $50,000 per share, as described in Note 10 above. In connection with the sale of the Series C Preferred Stock to Kiewit Energy, the Standstill Agreement was amended so that the 49% Standstill Percentage restriction would apply to voting stock rather than just common stock.

13. LITIGATION

Settlement of Contractor Claims

In June 1990, Mission Power Engineering Company (MPE), a subsidiary of SCECorp. and the general contractor for eight of the nine facilities at the Coso Project recorded mechanic's liens (the Liens) against two of the Coso Projects and filed suit to pursue claims for amounts allegedly due from the Coso Joint

Ventures in connection with the turnkey contracts for the design and construction on eight of the units. In July 1990, MPE, the Joint Venture Partners and the Company agreed to enter settlement discussions during which period the suit was suspended. In January 1991, MPE terminated settlement discussions and refiled its suit in the amount of approximately $70,900 in contract claims. The Coso Joint Ventures counterclaimed on January 10, 1991, for performance and equipment related and other damages arising under the turnkey contracts.

On June 9, 1993, MPE and the Mission Power Group, subsidiaries of SCECorp, and the Coso Joint Ventures and the Company announced that the companies had reached a final settlement of all of their outstanding disputes relating to the construction of and the filing of mechanics' liens against the Coso Project.

Under the settlement agreement, MPE agreed to dismiss with prejudice its $70,900 breach of contract suit against the Coso Joint Ventures and the Coso Joint Ventures agreed to dismiss with prejudice their counterclaims against MPE and related parties. As a result of the various payments and releases involved

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in such settlement, the Coso Joint Ventures agreed to make a net payment of $20,000 to MPE from the cash reserves of the Coso Project Contingency Fund and MPE agreed to release its mechanics' liens on the Coso Project.

Settlement of Transmission Line Disputes

In September 1990, the California Public Utilities Commission (CPUC) issued a decision which would fix at approximately $10,500 the Coso Joint Ventures' maximum exposure for the cost of the construction of a new 220kV electric transmission line (Line) on the SCE transmission system. The Coso Joint Ventures appealed the decision of the CPUC to the Federal district court and intended to petition the CPUC to reconsider its decision on the grounds that such line is not necessary. In a related proceeding involving the cost allocation for existing and ancillary interconnection facilities, the CPUC ruled that the Coso Joint Ventures' share would be approximately $7,000. The Coso Joint Ventures appeal of such decision to the California Supreme Court was denied in February 1993. In addition, SCE alleged certain line losses that SCE deemed applicable to the existing 115kV line utilized by two of the Coso Joint Ventures and deducted amounts from revenues payable under the power purchase contracts. The Coso Joint Ventures dispute SCE's allegations, methodology and alleged ability to deduct amounts under the interconnection contracts and filed a complaint alleging breach of contract in the California State Court.

On May 3, 1993, SCE and the Coso Joint Ventures agreed to settle the transmission line loss contract dispute and certain related interconnection disputes involving the Coso Project under a separate agreement whereby, among other things, the parties made certain cash payments to each other and agreed to certain interconnection cost and historical line loss allocations and to the release to the Coso Joint Ventures of certain funds previously deducted from project revenues and held in escrow. The parties also agreed to jointly pursue appropriate rate treatment by the CPUC of certain SCE financed interconnection costs, including the one remaining cost allocation issue between them in the amount of $5,900. As a result of the various payments, allocations and releases involved in such partial settlement, SCE released $15,500 of Coso Project funds (the Company's share was approximately $7,800) held in escrow in respect of interconnection costs (transmission line deposit) and the Partners of Coso Joint Ventures' posted an irrevocable letter of credit to support their contingent obligation of $5,900 on the cost allocation matter to be jointly pursued with SCE at the CPUC.

Settlement of Anti-Trust Lawsuit

On January 31, 1991, the Company filed an antitrust lawsuit in San Francisco Federal Court against SCECorp., its subsidiaries (MPE, Mission Power Group and SCE) and Kidder-Peabody & Co., and others alleging violations of the federal antitrust laws, unfair competition and tortious interference. This lawsuit was settled in conjunction with the transmission line disputes.

Settlement with Joint Venture Partner

The Company has served as managing partner, project manager and field operator for the Coso Project since its inception. It has been plant operator for the facilities since August 1988. In April 1990, the Company's principal Coso Joint Venture partner (the J.V. Partner) served the Company and certain of

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the Company's subsidiaries with a demand for arbitration arising out of disagreements concerning primarily the operating budgets and the allocation to the Joint Ventures of certain expenses incurred by the Company.

On March 19, 1991, the Company and its J.V. Partner executed a settlement agreement which resolved all their outstanding disputes. The terms of the settlement provide that if the Coso Project performs at capacity level in the future so that certain formula-based contingencies related to the productivity of the power plants are satisfied in any of the following eight years, then, out of the excess cash flow generated from such performance levels, up to $1.4 million may be paid in each such year to the J.V. Partner by the Company. During 1992, the Company purchased the J.V. Partner's contingent payment for $5,000; which will be amortized over the remaining seven years of the agreement.

In return for the original settlement, the J.V. Partner agreed to the conversion of all prior advances made by the Company on behalf of the partnership into a Coso Joint Venture note payable to the Company due on or before March 19, 1999. The note bore interest at an adjustable rate tied to LIBOR and was subordinated to the prior payment in full of all the senior bank debt on the project as well as to the foregoing contingent payments to the J.V. Partner. On December 16, 1992 the Coso Joint Ventures paid $5,133 of their note payable plus accrued interest to the Company. A new promissory note was then signed on December 16, 1992 for the remaining principal balance. This note bears a fixed interest rate of 12.5% and is payable on or before March 19, 2002. This note continues to be subordinated to the senior project loan on the project. The fair value of this note approximates the carrying value.

14. RELATED PARTY TRANSACTIONS

The Company charged and recognized a management fee and interest on advances to its Coso Joint Ventures, which aggregated approximately $5,354, $4,246 and $5,664 in the years ended December 31, 1993, 1992 and 1991.

15. EXTRAORDINARY ITEM

The refinancing of the Coso Joint Ventures' project financing debt in 1992 resulted in an extraordinary item in the amount of $4,991, after the tax effect of $1,533. The extraordinary item represents the unamortized portion of the deferred financing costs and related repayment costs associated with the original Coso Joint Ventures' project financing debt.

16. SUBSEQUENT EVENT

The Company is currently in the process of arranging a proposed offering of $400,000 Senior Discount Notes (Notes). The interest rate will be between approximately 9% and 10%, with cash interest payment commencing in 1997. The Notes will be senior unsecured obligations of the Company. The Company intends to use the proceeds from the offering to: (i) fund equity commitments in, and the construction costs of, geothermal power projects presently planned in the Philippines and Indonesia, (ii) to fund equity investments in, and loans to, other potential international and domestic private power projects and related facilities, (iii) for corporate or project acquisitions permitted under the Indenture, and (iv) for general corporate purposes.

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17. QUARTERLY FINANCIAL DATA (UNAUDITED)

Following is a summary of the Company's quarterly results of operations for the years ended December 31, 1993 and December 31, 1992.

<TABLE>
<CAPTION>

	THREE MONTHS ENDED*			
	MARCH 31, 1993	JUNE 30, 1993	SEPTEMBER 30, 1993	DECEMBER 31, 1993
<S>	<C>	<C>	<C>	<C>
Revenue:				
Sales of electricity and steam.	$27,617	$31,996	$41,433	$31,013
Other income.....	3,544	3,926	4,824	4,900
Total revenue.....	31,161	35,922	46,257	35,913
Total costs and expenses.....	20,314	21,833	22,087	23,761
Income before provision for income taxes and change in accounting principle.....	10,847	14,089	24,170	12,152
Provision for income taxes.....	3,363	3,439	7,493	3,889
Net income before change in accounting principle.....	7,484	10,650	16,677	8,263
Cumulative effect of change in accounting principle.....	4,100	--	--	--
Net income.....	11,584	10,650	16,677	8,263
Preferred dividends.....	1,107	1,143	1,179	1,201
Net income attributable to common shares.....	$10,477	$ 9,507	$15,498	$ 7,062
Net income per share before change in accounting principle..	$ 0.16	$ 0.25	$ 0.41	$ 0.18
Cumulative effect of change in accounting principle.....	$ 0.11	--	--	--
Net income per share.....	$ 0.27	$ 0.25	$ 0.41	$ .018

</TABLE>

- --------

* The Company's operations are seasonal in nature with a disproportionate percentage of income earned in the second and third quarters.

<TABLE>
<CAPTION>

	THREE MONTHS ENDED*			
	MARCH 31, 1992	JUNE 30, 1992	SEPTEMBER 30, 1992	DECEMBER 31, 1992

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<S>	<C>	<C>	<C>	<C>
Revenue:				
Sales of electricity and steam...	$24,147	$28,173	$37,977	$27,045
Other income.....	1,995	2,609	3,160	2,423
Total revenue.....	26,142	30,782	41,137	29,468
Total costs and expenses.....	18,541	18,779	20,583	18,894
Income before provisions for income taxes and extraordinary item.....	7,601	12,003	20,554	10,574
Provision for income taxes.....	1,806	2,852	4,884	2,380
Net income before extraordinary item.....	5,795	9,151	15,670	8,194
Extraordinary item.....	--	--	--	(4,991)
Net income.....	5,795	9,151	15,670	3,203
Preferred dividends.....	1,020	1,056	1,089	1,110
Net income attributable to common shares.....	$ 4,775	$ 8,095	$14,581	$ 2,093
Net income per share before extraordinary item.....	$ 0.13	$ 0.22	$ 0.39	$ 0.19
Extraordinary item.....	--	--	--	(0.13)
Net income per share.....	$ 0.13	$ 0.22	$ 0.39	$ 0.06

</TABLE>

* The Company's operations are seasonal in nature with a disproportionate percentage of income earned in the second and third quarters.

No dealer, salesperson or other individual has been authorized to give any information or to make any representations not contained in this Prospectus in connection with the offering covered by the Prospectus. If given or made, such information or representations must not be relied upon as having been authorized by the Company. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any security other than the Notes offered by this Prospectus, nor does it constitute an offer to sell, or a solicitation of an offer to buy the Notes by anyone in any jurisdiction where, or to any person to whom, it is unlawful to make such offer or solicitation. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has not been any change in the information set forth in this Prospectus or in the affairs of the Company since the date hereof.

TABLE OF CONTENTS

<TABLE>
<CAPTION>

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$

(LOGO OF CALIFORNIA ENERGY
COMPANY, INC. APPEARS HERE)

CALIFORNIA ENERGY COMPANY, INC.

% SENIOR DISCOUNT NOTES DUE 2004

PROSPECTUS
March , 1994

LEHMAN BROTHERS

SALOMON BROTHERS INC

DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION

BEAR, STEARNS & CO. INC.

- ---

- ---

PART II

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INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the various expenses in connection with the sale and distribution of the securities being registered which will be paid solely by the Company. All the amounts shown are estimates, except the Securities and Exchange Commission registration fee:

<TABLE>

<S>	<C>
SEC Registration Fee	$137,931
Trustee Fees and Expenses	4,000
Printing and Engraving Expenses	150,000
Legal Fees and Expenses	500,000
Accounting Fees and Expenses	80,000
Blue Sky Fees and Expenses	20,000
Miscellaneous Expenses	100,000
Total	$991,931

</TABLE>

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 145 of the General Corporation Law of the State of Delaware (the "DGCL") grants each corporation organized thereunder, such as the Company, the power to indemnify its directors and officers against liabilities for certain of their acts. Article EIGHTH of the Company's Restated Certificate of Incorporation and Article V of the Company's By-Laws provides for indemnification of directors and officers of the Company to the extent permitted by the DGCL. Article V of the Company's By-Laws further provides that the Registrant may enter into contracts providing indemnification to the full extent authorized or permitted by the DGCL and that the Company may create a trust fund, grant a security interest and/or use other means to ensure the payment of such amounts as may become necessary to effect indemnification pursuant to such contracts or otherwise.

Section 102(b)(7) of the DGCL permits a provision in the certificate of incorporation of each corporation organized thereunder, such as the Company, eliminating or limiting, with certain exceptions, the personal liability of a director to the corporation or its stockholders for monetary damages for certain breaches of fiduciary duty as a director. Article EIGHTH of the Company's Restated Certificate of Incorporation eliminates the personal liability of directors to the full extent permitted by the DGCL.

The foregoing statements are subject to the detailed provisions of Sections 145 and 102(b)(7) of the DGCL, Article EIGHTH of the Company's Restated Certificate of Incorporation and Article V of the Company's By-laws.

ITEM 16. EXHIBITS

<TABLE>

<C>	<S>
1.1	Form of Underwriting Agreement
4.1	Form of Indenture
5.1	Opinion of Willkie Farr & Gallagher regarding the legality of the Notes
8.1	Opinion of Willkie Farr & Gallagher regarding certain tax matters
11.1	Statement regarding computation of earnings per share*

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12.1 Statement regarding computation of ratio of earnings to fixed charges*
23.1 Consent and report on schedules of Deloitte & Touche
23.2 Consent of Willkie Farr & Gallagher (included in Exhibit 5.1)
24.1 Power of Attorney
25.1 Statement of eligibility of trustee*
27.1 Financial Data Schedule*
</TABLE>
- --------
* Previously filed.

FINANCIAL STATEMENT SCHEDULES

<TABLE>
<C> <S>
II Amounts Receivable from Related Parties and Underwriters, Promoters and Employees other than Related Parties
III Parent Company only Financial Statements
V Property, Plant and Equipment
VI Accumulated Depreciation and Amortization of Property, Plant and Equipment
IX Short-Term Borrowings
X Supplementary Income Statement Information
</TABLE>

Other financial statement schedules are either not required or the information is included in the Notes to the Consolidated Financial Statements.

ITEM 17. UNDERTAKINGS

Insofar as indemnification for liabilities arising under the Securities Act 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 Securities 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 Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Exchange Act) 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 the time shall be deemed to be the initial bona fide offering thereof.

The undersigned registrant hereby undertakes to deliver or cause to be delivered with the prospectus, to each person to whom the prospectus is sent or given, the latest annual report to security holders that is incorporated by

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reference in the prospectus and furnished pursuant to and meeting the requirements of Rule 14a-3 or Rule 14c-3 under the Exchange Act; and, where interim financial information required to be presented by Article 3 of Regulation S-X is not set forth in the prospectus, to deliver, or cause to be delivered to each person to whom the prospectus is sent or given, the latest quarterly report that is specifically incorporated by reference in the prospectus to provide such interim financial information.

For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus 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.

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT, 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 AMENDMENT NO. 2 TO THE REGISTRATION STATEMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY OF OMAHA, STATE OF NEBRASKA, ON MARCH 17, 1994.

California Energy Company, Inc.
(Registrant)

By /s/ David L. Sokol

David L. Sokol
President and Chief Executive Officer

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT, THIS AMENDMENT NO. 2 TO THE REGISTRATION STATEMENT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS, IN THE CAPACITIES AND ON THE DATE INDICATED.

<TABLE>
<CAPTION>

NAME	TITLE	DATE
<S>	<C>	<C>
/s/ David L. Sokol --- DAVID L. SOKOL	President, Chief Executive Officer and Director (Principal Executive Officer)	March 17, 1994
/s/ John G. Sylvia --- JOHN G. SYLVIA	Vice President, Chief Financial Officer and Treasurer (Principal	March 17, 1994

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	Financial Officer and Principal Accounting Officer)	
*	Director	March 17, 1994
EDGAR D. ARONSON		
*	Director	March 17, 1994
JUDITH E. AYRES		
*	Director	March 17, 1994
HARVEY F. BRUSH		

</TABLE>

<TABLE>
<CAPTION>

NAME	TITLE	DATE
<S>	<C>	<C>
*	Director	March 17, 1994
JAMES Q. CROWE		
*	Director	March 17, 1994
RICHARD K. DAVIDSON		
*	Chairman of the Board of Directors	March 17, 1994
RICHARD R. JAROS		
*	Director	March 17, 1994
BEN M. HOLT		
*	Director	March 17, 1994
EVERETT B. LAYBOURNE		
*	Director	March 17, 1994
DANIEL J. MURPHY		
*	Director	March 17, 1994
HERBERT L. OAKES, JR.		
*	Director	March 17, 1994
WALTER SCOTT, JR.		
*	Director	March 17, 1994

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BARTON W. SCHACKELFORD

*	Director	March 17, 1994
DAVID E. WIT		

*By /s/ Steven A. McArthur — March 17, 1994
STEVEN A. MCARTHUR
ATTORNEY-IN-FACT
</TABLE>

SCHEDULE II

CALIFORNIA ENERGY COMPANY, INC.

AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES
AS OF DECEMBER 31, 1993, 1992, AND 1991 (DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	BALANCE AT BEGINNING OF PERIOD	ADDITIONS	COLLECTED	CURRENT	NONCURRENT
<S>	<C>	<C>	<C>	<C>	<C>
Year ended December 31, 1993	$--	$--	$--	$--	$--
Year ended December 31, 1992	--	--	--	--	--
Year ended December 31, 1991					
Robert D. Tibbs*	100	--	100	--	--

</TABLE>
- --------
* Relocation Loan, repaid January 2, 1991

SCHEDULE III

CALIFORNIA ENERGY COMPANY, INC.

PARENT COMPANY ONLY BALANCE SHEETS
AS OF DECEMBER 31, 1993 AND 1992 (DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>
<CAPTION>

	1993	1992
<S>	<C>	<C>
ASSETS		
Cash and investments	$126,824	$ 53,321
Restricted cash	13,535	634

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Development projects in progress	44,272	21,428
Investment in and advances to subsidiaries and joint ventures	215,660	168,949
Equipment, net of accumulated depreciation	2,587	1,575
Notes receivable--joint ventures	21,558	19,098
Deferred charges and other assets	16,458	17,214
Total assets	$440,894	$282,219
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Accounts payable	$ 86	$ 937
Other accrued liabilities	10,550	5,061
Income taxes payable	4,000	--
Senior notes	35,730	35,730
Convertible subordinated debenture	100,000	--
Deferred income taxes	18,310	15,212
Total liabilities	168,676	56,940
Deferred income relating to joint ventures	1,915	2,165
Redeemable preferred stock	58,800	54,350
Stockholders' equity:		
Preferred stock--authorized 2,000 shares no par value	--	--
Common stock--authorized 60,000 shares par value $0.0675 per share; issued and outstanding 35,446 and 35,258 shares	2,404	2,380
Additional paid-in capital	100,965	97,977
Retained earnings	111,031	68,407
Treasury stock, 157 common shares at cost	(2,897)	--
Total stockholders' equity	211,503	168,764
Total liabilities and stockholders' equity	$440,894	$282,219

</TABLE>

The accompanying notes are an integral part of these financial statements.

SCHEDULE III

CALIFORNIA ENERGY COMPANY, INC.

PARENT COMPANY ONLY STATEMENTS OF OPERATIONS
FOR THE THREE YEARS ENDED DECEMBER 31, 1993 (DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	1993	1992	1991
<S>	<C>	<C>	<C>
Revenues:			
Equity in earnings of subsidiary companies and joint ventures before extraordinary items	$61,412	$53,685	$38,364
Interest and other income	8,756	4,557	4,923

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Total revenues	70,168	58,242	43,287
Expenses:			
General and administration	6,564	6,796	5,585
Interest, net of capitalized interest	2,346	714	2,836
Total expenses	8,910	7,510	8,421
Income before provision for income taxes	61,258	50,732	34,866
Provision for income taxes	18,184	11,922	8,284
Income before change in accounting principle and extraordinary item	43,074	38,810	26,582
Cumulative effect of change in accounting principle	4,100	--	--
Equity in extraordinary item of joint ventures (Less applicable income taxes of $1,533)	--	(4,991)	--
Net income	47,174	33,819	26,582
Preferred dividends	4,630	4,275	--
Net income available to common stockholders	$42,544	$29,544	$26,582

</TABLE>

The accompanying notes are an integral part of these financial statements.

SCHEDULE III

CALIFORNIA ENERGY COMPANY, INC.

PARENT COMPANY ONLY CONDENSED STATEMENTS OF CASH FLOWS
FOR THE THREE YEARS ENDED DECEMBER 31, 1993 (DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	1993	1992	1991
<S>	<C>	<C>	<C>
Cash flows from operating activities	$ 45,671	$ 22,597	$ 631
Cash flows from investing activities:			
Increase in development projects in progress	(22,844)	(4,218)	(3,458)
Decrease (increase) in advances to and investments in subsidiaries and joint ventures	(36,812)	12,155	(41,162)
Other	(9,945)	(15,711)	251
Cash flows from investing activities	(69,601)	(7,774)	(44,369)
Cash flows from financing activities:			
Proceeds from sale of common, treasury and preferred stocks, and exercise of warrants and stock options	2,912	8,065	111,458
Payment of senior notes	--	--	(6,000)
Purchase of treasury stock	(2,897)	(4,887)	--
Net change in short-term bank loan	--	--	(15,000)
Proceeds from issue of convertible subordinated debentures	100,000	--	--

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Purchase of warrants	--	(11,716)	--
Deferred charges relating to debt financing	(2,582)	--	--
Cash flows from financing activities	97,433	(8,538)	90,458
Net increase in cash and investments	73,503	6,285	46,720
Cash and investments at beginning of period	53,321	47,036	316
Cash and investments at end of period	$126,824	$ 53,321	$ 47,036
Interest paid (net of amounts capitalized)	$ (897)	$ 464	$ 3,342
Income taxes paid	$ 6,819	$ 4,129	$ 1,682

</TABLE>

The accompanying notes are an integral part of these financial statements.

SCHEDULE III

CALIFORNIA ENERGY COMPANY, INC.

PARENT COMPANY ONLY SUPPLEMENTAL NOTES TO FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS)

RELATED PARTY TRANSACTIONS

The Company bills the Coso Project partnership and joint ventures for management, professional and operational services. Billings for the years ended December 31, 1993, 1992 and 1991 were $18,285, $19,629 and $18,316, respectively. Dividends received from subsidiaries for the years ended December 31, 1993, 1992 and 1991 were $49,053, $33,524 and $18,935 respectively.

RECLASSIFICATION

Certain amounts in the fiscal 1992 and 1991 financial statements have been reclassified to conform to the fiscal 1993 presentation. Such reclassifications do not impact previously reported net income or retained earnings.

SCHEDULE V

CALIFORNIA ENERGY COMPANY, INC.

CONSOLIDATED PROPERTY, PLANT AND EQUIPMENT
AS OF DECEMBER 31, 1993, 1992 AND 1991 (DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

ASSET DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS AT COST	RETIREMENTS	OTHER CHANGES	BALANCE AT END OF PERIOD
<S>	<C>	<C>	<C>	<C>	<C>
YEAR ENDED DECEMBER 31, 1993					

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Power plant and gathering system.....	$235,924	$10,295	$ --	$ --	$246,219
Wells and resource development costs.....	144,595	16,542	--	--	161,137
Total operating facilities.....	380,519	26,837	--	--	407,356
Wells and resource construction in progress..	916	23	--	--	939
Total project costs....	381,435	26,860	--	--	408,295
Pacific Northwest properties costs.....	25,882	15,657	--	--	41,539
Nevada and Utah properties costs.....	32,089	3,403	--	--	35,492
Yuma-construction in progress.....	1,294	40,167	--	--	41,461
Equipment.....	8,308	1,104	--	(99)(1)	9,313
	$449,008	$87,191	$ --	$ (99)(1)	$536,100
YEAR ENDED DECEMBER 31, 1992					
Power plant and gathering system.....	$229,213	$ 6,711	$ --	$ --	$235,924
Wells and resource development costs.....	124,416	19,029	--	1,150 (1)	144,595
Total operating facilities.....	353,629	25,740	--	1,150 (1)	380,519
Wells and resource construction in progress..	1,892	174	--	(1,150)(1)	916
Total project costs....	355,521	25,914	--	--	381,435
Pacific Northwest properties costs.....	22,627	3,255	--	--	25,882
Nevada and Utah properties costs.....	31,199	890	--	--	32,089
Yuma-construction in progress.....	--	1,294	--	--	1,294
Equipment.....	7,215	1,093	--	--	8,308
	$416,562	$32,446	$ --	$ --	$449,008
YEAR ENDED DECEMBER 31, 1991					
Power plant and gathering system.....	$221,991	$ 7,784	$ --	$ (562)(1)	$229,213
Wells and resource development costs.....	92,280	31,574	--	562 (1)	124,416
Total operating facilities.....	314,271	39,358	--	--	353,629
Wells and resource construction in progress..	1,812	80	--	--	1,892
Total project costs....	316,083	39,438	--	--	355,521
Pacific Northwest properties costs.....	18,761	3,866	--	--	22,627
Nevada and Utah proper-					

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ties costs.....	8,028	23,171	--	--	31,199
Equipment.....	6,898	1,027	(710)	--	7,215
	$349,770	$67,502	$(710)	$ --	$416,562

</TABLE>
- --------
(1) Other reclassification

SCHEDULE VI

CALIFORNIA ENERGY COMPANY, INC.

CONSOLIDATED ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT
AS OF DECEMBER 31, 1993, 1992, AND 1991 (DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	BALANCE AT BEGINNING OF PERIOD	DEPRECIATION AND AMORTIZATION	RETIREMENTS	OTHER CHANGES	BLANACE AT END OF PERIOD
<S>	<C>	<C>	<C>	<C>	<C>
YEAR ENDED DECEMBER 31, 1993					
Power plant and gathering system.....	$21,947	$ 6,844	$ --	$(276)(1)	$28,515
Wells and resource development costs.....	29,107	10,191	--	--	39,298
Total operating facilities.....	51,054	17,035	--	(276)	67,813
Equipment.....	3,996	777	--	--	4,773
	$55,050	$17,812	$ --	$(276)	$72,586
YEAR ENDED DECEMBER 31, 1992					
Power plant and gathering system.....	$15,812	$ 6,135	$ --	$ --	$21,947
Wells and resource development costs.....	19,587	9,520	--	--	29,107
Total operating facilities.....	35,399	15,655	--	--	51,054
Equipment.....	2,897	1,099	--	--	3,996
	$38,296	$16,754	$ --	$ --	$55,050
YEAR ENDED DECEMBER 31, 1991					
Power plant and gathering system.....	$ 9,885	$ 5,927	$ --	$ --	$15,812
Wells and resource development costs.....	11,684	7,903	--	--	19,587
Total operating facili-					

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ties.....	21,569	13,830	--	--	35,399
Equipment.....	2,251	922	(276)	--	2,897
	$23,820	$14,752	$(276)	$ --	$38,296

</TABLE>
- --------
(1) Reclassification

SCHEDULE IX

CALIFORNIA ENERGY COMPANY, INC.

SHORT-TERM BORROWINGS
AS OF DECEMBER 31, 1993, 1992, AND 1991
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

CATEGORY OF AGGREGATE SHORT-TERM BORROWINGS	BALANCE AT END OF PERIOD	WEIGHTED AVERAGE INTEREST RATE	MAXIMUM AMOUNT OUTSTANDING DURING THE PERIOD	AVERAGE AMOUNT OUTSTANDING DURING THE PERIOD	WEIGHTED AVERAGE INTEREST RATE DURING THE PERIOD
<S>	<C>	<C>	<C>	<C>	<C>
Year ended December 31, 1993.....	$--	--	$ --	$ --	--
Year ended December 31, 1992.....	$--	--	--	--	--
Year ended December 31, 1991.....	$--	7.21%	$15,000	$8,125	8.5%

</TABLE>

The short-term borrowing payable to a bank was under a $15,000 multi-year Credit Agreement. The average amount outstanding during the period was computed based on month-end balances. The weighted average interest rate during the period was the effective rate incurred.

SCHEDULE X

CALIFORNIA ENERGY COMPANY, INC.

CONSOLIDATED SUPPLEMENTARY INCOME STATEMENT INFORMATION
FOR THE THREE YEARS ENDED DECEMBER 31, 1993 (DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	1993	1992	1991
<S>	<C>	<C>	<C>
Maintenance and repairs.....	$3,465	$3,337	$2,283
Amortization of deferred financing cost.....	1,031	1,232	964
Taxes, other than payroll and income taxes.....	3,902	3,572	3,603
Royalties.....	8,274	7,710	5,505

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Advertising costs..... * * *
</TABLE>
- --------
* Less than amounts required to be reported pursuant to Securities and Exchange Commission

Graphics Appendix List

Page of Registration Statement where graphic appears	Description of Graphic
Page 28	Schematic diagram demonstrating how geothermal energy is extracted from the earth
Page 35	Map of the earth depicting areas of potential geothermal activity
Page 38	Map of the Philippines indicating proposed project sites
Page 42	Map of Indonesia indicating proposed project sites and location of CE regional office

EXHIBIT INDEX

<TABLE>
<CAPTION>

EXHIBIT NO.	EXHIBIT	PAGE NO.
<S>	<C>	<C>
1.1	Form of Underwriting Agreement	

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4.1	Form of Indenture
5.1	Opinion of Willkie Farr & Gallagher regarding the legality of the Notes
8.1	Opinion of Willkie Farr & Gallagher regarding certain tax matters
11.1	Statement regarding computation of earnings per share*
12.1	Statement regarding computation of ratio of earnings to fixed charges*
23.1	Consent and report on schedules of Deloitte & Touche
23.2	Consent of Willkie Farr & Gallagher (included in Exhibit 5.1)
24.1	Power of Attorney
25.1	Statement of eligibility of trustee*
27.1	Financial Data Schedule*

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$_____

CALIFORNIA ENERGY COMPANY, INC.

__% Senior Discount Notes due 2004

UNDERWRITING AGREEMENT

March ___, 1994

LEHMAN BROTHERS INC.
SALOMON BROTHERS INC
DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION
BEAR, STEARNS & CO. INC.
As Representatives of the several
Underwriters named in Schedule 1,
c/o Lehman Brothers Inc.
Three World Financial Center
New York, New York 10285

Dear Sirs:

California Energy Company, Inc., a Delaware corporation (the "Company"), proposes to sell $_____ aggregate principal amount of the Company's __% Senior Discount Notes due January 15, 2004 (the "Notes"). This is to confirm the agreement concerning the purchase of the Notes from the Company by the Underwriters named in Schedule 1 hereto (the "Underwriters").

1. Representations, Warranties and Agreements of the Company. The Company represents, warrants and agrees that:

(a) A registration statement on Form S-3, and amendments thereto, with respect to the Notes have (i) been prepared by the Company in conformity with the requirements of the Securities Act of 1933 (the "Securities Act") and the rules and regulations (the "Rules and Regulations") of the Securities and Exchange Commission (the "Commission") thereunder, (ii) been filed with the Commission under the Securities Act and (iii) become effective under the Securities Act; and the indenture ("the "Indenture"), between the Company and IBJ Schroder Bank & Trust Company, as

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trustee (the "Trustee"), pursuant to which the Notes shall be issued, shall have been qualified under the Trust Indenture Act of 1939 (the "Trust Indenture Act"). Copies of such registration statement and the amendments thereto have been delivered by the Company to you as the representatives (the "Representatives") of the Underwriters. As used in this Agreement, "Effective Time" means the date and the time as of which such registration statement, or the most recent post-effective amendment thereto, if any, was declared effective by the Commission; "Effective Date" means the date of the Effective Time; "Preliminary Prospectus" means each prospectus included in such registration statement, or amendments thereof, before it became effective under the Securities Act and any prospectus filed with the Commission by the Company with the consent of the Representatives pursuant to Rule 424(a) of the Rules and Regulations; "Registration Statement" means such registration statement, as amended at the Effective Time, including any documents or portions of any documents incorporated by reference therein at such time and all information contained in the final prospectus filed with the Commission pursuant to Rule 424(b) of the Rules and Regulations in accordance with Section 5(a) hereof and deemed to be a part of the registration statement as of the Effective Time pursuant to paragraph (b) of Rule 430A of the Rules and Regulations; and "Prospectus" means such final prospectus, as first filed with the Commission pursuant to paragraph (1) or (4) of Rule 424(b) of the Rules and Regulations. Reference made herein to any Preliminary Prospectus or to the Prospectus shall be deemed to refer to and include any documents or portions of any documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the Securities Act, as of the date of such Preliminary Prospectus or the Prospectus, as the case may be, and any reference to any amendment or supplement to any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include any documents or portions of any documents filed under the Securities Exchange Act of 1934 (the "Exchange Act") after the date of such Preliminary Prospectus or the Prospectus, as the case may be, and incorporated by

reference in such Preliminary Prospectus or the Prospectus, as the case may be, in accordance with Item 12 of Form S-3; and any reference to any amendment to the Registration Statement shall be deemed to include any annual report of the Company filed with the Commission pursuant to Section 13(a) or 15(d) of the Exchange Act after the Effective Time that is incorporated by reference in the Registration Statement in accordance with Item 12 of Form S-3. The Commission has not issued any order preventing or suspending the use of any Preliminary Prospectus or the Prospectus.

(b) The Registration Statement conforms, and the Prospectus and any further amendments or supplements to the Registration Statement or the Prospectus shall, when they become effective or are filed with the Commission, as the case may be, conform in all material respects to the requirements of the Securities Act and the Rules and Regulations and the Trust Indenture Act and the rules and regulations thereunder and do not and shall not, as of the applicable

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effective date (as to the Registration Statement and any amendment thereto) and as of the filing date (as to the Prospectus and any amendment or supplement thereto) 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 respect of the Prospectus, in the light of the circumstances under which they were made, not misleading; provided that no representation or warranty is made as to information contained in or omitted from the Registration Statement or the Prospectus or any amendment or supplement thereto in reliance upon and in conformity with written information furnished to the Company through the Representatives by or on behalf of any Underwriter specifically for inclusion therein; and the Indenture conforms in all material respects to the requirements of the Trust Indenture Act and the rules and regulations thereunder.

(c) The documents incorporated by reference in the Prospectus, when they became effective or were last amended or filed with the Commission, as the case may be, conformed in all material respects to the requirements of the Securities Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder, and none of such documents contained an untrue statement of a material fact or omitted to

state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances under which they were made, and any further documents so filed and incorporated by reference in the Prospectus, when such documents become effective or are filed with the Commission, as the case may be, shall conform in all material respects to the requirements of the Securities Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder and shall 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 in the light of the circumstances under which they were made.

(d) The Company, each Subsidiary (as defined below) and each Joint Venture (as defined below) have been duly organized and are validly existing and, if applicable, in good standing under the laws of their respective jurisdictions of organization as a corporation or partnership, as the case may be, and have the power and authority to own, lease and operate their property and conduct their businesses as described in the Prospectus; the Company, the Subsidiaries and the Joint Ventures are duly qualified to do business and are in good standing as foreign corporations or foreign partnerships, as the case may be, in each jurisdiction, domestic or foreign, in which such registration or qualification or good standing is required (whether by reason of the ownership or leasing of property, the conduct of business or otherwise), except where the failure to so register or qualify or be in good standing would not have a material adverse effect on the financial condition or results of operations of the Company, its Subsidiaries and Joint Ventures taken as a whole; and the

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Company has all requisite corporate power and authority to enter into this Agreement and the Indenture, and to consummate the transactions contemplated hereby and thereby. For purposes of this Agreement, (A) the term "Subsidiary" shall mean Coso Hotsprings Intermountain Power, Inc., China Lake Operating Company and Coso Technology Corporation, each a Delaware corporation, and the other subsidiaries listed on Schedule 2 hereto, and (B) the term "Joint Venture" shall mean the Permitted Joint Ventures and the Eligible Joint Ventures (as such terms are defined in the Indenture) and Coso Finance Partners ("CFP"), Coso Energy Developers ("CED") and Coso Power Developers ("CPD"),

each a California general partnership, it being understood that such term means the general or limited partnership or other joint venture entity and not the individual general or limited partners or other joint venturers thereof. The Subsidiaries listed above and on Schedule 2 are all the direct and indirect "subsidiaries" of the Company, as such term is defined in Rule 405 of the Rules and Regulations, and are all of the "Significant Subsidiaries" of the Company, as such term is defined in Rule 1-02 of Regulation S-X.

(e) All the issued and outstanding shares of capital stock of the Company have been validly authorized and issued and are fully-paid and nonassessable; all the outstanding shares of capital stock of each Subsidiary have been duly and validly authorized and issued and are fully-paid and nonassessable; and except as otherwise set forth or referred to in the Prospectus, all outstanding shares of capital stock of each Subsidiary are owned beneficially by the Company free and clear of any material claims, liens, encumbrances and security interests. As of the date of this Agreement and the Delivery Date (as defined below), the Company is the beneficial owner of approximately 46%, 48% and 50% of the outstanding partnership interests of CFP, CED and CPD, respectively. All of such interests beneficially owned by the Company have been duly and validly authorized and issued and, except as otherwise disclosed or referred to in the Prospectus, are owned beneficially by the Company free and clear of any material claims, liens, encumbrances and security interests.

(f) The Notes have been duly authorized by the Company, and, when duly executed, authenticated, issued and delivered against payment therefor as contemplated hereby and by the Indenture, shall be validly issued and outstanding, and shall constitute valid and binding obligations on the part of the Company, entitled to the benefits of the Indenture, and enforceable against the Company in accordance with their terms, except as enforcement may be limited by applicable bankruptcy, fraudulent conveyance, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and by equitable principles generally; and the Notes, when issued and delivered, shall conform in all material respects to the descriptions thereof contained in the Prospectus.

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(g) The Indenture has been duly authorized, and when duly executed and delivered by the Company, shall constitute a valid and binding agreement on the part of the Company, enforceable against the Company in accordance with its terms, except as enforcement may be limited by applicable bankruptcy, fraudulent conveyance, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and by equitable principles generally; and the Indenture, when executed and delivered, shall conform in all material respects to the descriptions thereof contained in the Prospectus.

(h) This Agreement has been duly authorized, executed and delivered by the Company.

(i) The execution, delivery and performance of this Agreement and the Indenture, the consummation of the transactions contemplated herein and therein and the issuance and delivery of the Notes shall not (i) conflict with the corporate charter or by-laws or partnership agreement of the Company, any Subsidiary or any Joint Venture, (ii) conflict with, result in the creation or imposition of any lien, charge or other encumbrance upon any asset with a value in excess of $10,000,000 (a "Material Asset") of the Company, any Subsidiary or any Joint Venture pursuant to the terms of, or constitute a breach of, or default under, any material agreement, indenture or other instrument to which the Company, any Subsidiary or any Joint Venture is a party (other than the Note Purchase Agreement, dated March 15, 1988, as amended (the "Note Purchase Agreement"), between the Company and Principal Mutual Life Insurance Company ("Principal Mutual") pursuant to which approximately $35 million aggregate principal amount of the Company's 12% Senior Notes with Contingent Interest due 1995 (the "Senior Notes") are outstanding), or by which the Company, any Subsidiary or any Joint Venture is bound or to which any Material Asset of the Company, any Subsidiary or any Joint Venture is subject, or (iii) result in a violation of any law, order, rule, regulation, judgment or decree of any court or governmental agency having jurisdiction over the Company, any Subsidiary or any Joint Venture or any Material Asset of the Company, any Subsidiary or any Joint Venture, where any such conflicts, encumbrances, breaches, defaults or violations under clauses (ii) or (iii), individually or in the

aggregate, would have a material adverse effect on the financial condition or results of operations of the Company, its Subsidiaries and Joint Ventures taken as a whole. Except for (i) the registration of the Notes under the Securities Act, (ii) such consents, approvals, authorizations, registrations or qualifications as may be required under the Exchange Act and applicable state securities laws in connection with the purchase and distribution of the Notes by the Underwriters, (iii) the approval for listing the Notes on the New York Stock Exchange, Inc., (iv) the consent of Principal Mutual under the Senior Notes and the Note Purchase Agreement, which shall have been obtained

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on or prior to the Delivery Date and (v) the waiver by Peter Kiewit Sons', Inc. of their right to include securities in the Registration Statement, which has been obtained prior to the date of this Agreement, no consent, authorization or order of, or filing or registration by the Company, any Subsidiary or, to the best of the Company's knowledge, any Joint Venture with, any court, governmental agency or third party is required in connection with the execution, delivery and performance of this Agreement and the Indenture, the consummation of the transactions contemplated herein and therein, and the issuance and delivery of the Notes.

(j) Except with respect to a breach of certain covenants contained in the Note Purchase Agreement that would occur upon the issuance and delivery of the Notes, no event has occurred and is continuing that, had the Notes already been issued, would (whether or not with the giving of notice and/or the passage of time and/or the fulfillment of any other requirement) constitute an Event of Default (as defined in the Indenture) under the Indenture.

(k) There are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Securities Act with respect to any debt securities of the Company owned or to be owned by such person or to require the Company to include any such securities in the securities registered pursuant to the Registration Statement or, with respect to any debt securities, in any securities being registered pursuant to any other registration statement filed by the Company under the Securities Act.

(l) The Company has not sold or issued any Notes or similar debt securities during the six-month period preceding the date of the Prospectus, including any sales pursuant to Rule 144A or Regulations D or S under the Securities Act.

(m) Since the date of the latest audited financial statements included or incorporated by reference in the Prospectus, (i) there has been no material adverse change, or a development which is reasonably likely to lead to a material adverse change, in the financial condition or results of operations of the Company, its Subsidiaries and Joint Ventures taken as a whole, (ii) except as disclosed in the Prospectus, there have not been any transactions entered into by the Company, its Subsidiaries or any Joint Venture, other than those in the ordinary course of business, which are material to the Company, its Subsidiaries and Joint Ventures taken as a whole and (iii) there has not been any dividend or distribution of any kind declared, paid or made by the Company on any of its shares of capital stock.

(n) The financial statements of the Company and its consolidated subsidiaries and the related notes and schedules included or incorporated by reference in the Prospectus fairly present the financial position, the results of operations and the cash flows of the Company and its consolidated subsidiaries at the respective dates and for the respective periods to which

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they apply; such financial statements and the related notes and schedules have been prepared in conformity with United States generally accepted accounting principles applied on a consistent basis throughout the periods therein specified. The capitalization of the Company, as set forth in the column labeled "Actual" under the caption "Capitalization" in the Prospectus, is accurately described as of the date presented therein.

(o) Deloitte & Touche, who have certified certain financial statements of the Company, whose report appears in the Prospectus or is incorporated by reference therein and who have delivered the initial letter referred to in Section 7(g) hereof, are and were independent public accountants as required by the Securities Act and the Rules and Regulations during the periods covered

by the financial statements on which they reported contained or incorporated in the Prospectus.

(p) Except as described in or contemplated by the Prospectus, the Company, each Subsidiary and each Joint Venture holds, as applicable, good and valid title to, or valid and enforceable leasehold or contractual interests in, all items of real and personal property that are material to the business of such entity, free and clear of all liens, encumbrances and claims which would materially interfere with the conduct of the business of such entity as described in the Prospectus.

(q) Except as described in the Prospectus, the Company, the Subsidiaries and the Joint Ventures carry, or are covered by, insurance in such amounts and covering such risks as is customary for similarly situated companies in the Company's industry. Each of the foregoing insurance policies is valid and in full force and effect, and no event has occurred and is continuing that permits, or after notice or lapse of time or both would permit, modifications or terminations of the foregoing that in the aggregate would have a material adverse effect on the financial condition or results of operations of the Company, its Subsidiaries and Joint Ventures taken as a whole.

(r) Except as described in the Prospectus, the Company, each Subsidiary and each Joint Venture (i) has properly obtained each license, permit, certificate, franchise or other governmental authorization necessary to the ownership of its property or to the conduct of its business as described in the Prospectus and (ii) is in compliance with all terms and conditions of such license, permit, certificate, franchise or other governmental authorization, except (x) in either case where the failure to do so would not have a material adverse effect on the financial condition or results of operations of the Company and its Subsidiaries and Joint Ventures taken as a whole, (y) permits, consents and approvals that may be required for future drilling or operating activities which are ordinarily deemed to be ministerial in nature and which are anticipated to be obtained in the ordinary course and (z) permits, consents and approvals for developmental or construction activities which have not yet been

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obtained but which have been or will be applied for

in the course of development or construction and which are anticipated to be obtained in the ordinary course.

(s) There is no legal or governmental proceeding before any court, governmental agency or body, domestic or foreign, now pending or, to the knowledge of the Company, threatened against, or, to the knowledge of the Company, involving the Company, any Subsidiary or any Joint Venture (i) of a character required to be disclosed in the Registration Statement which is not adequately disclosed in the Registration Statement or (ii) that, if determined adversely to the Company, any Subsidiary or any Joint Venture, would materially and adversely affect the consummation of the transactions contemplated by this Agreement.

(t) The conditions for use of Form S-3, as set forth in the General Instructions thereto, have been satisfied.

(u) The Company, the Subsidiaries and the Joint Ventures are currently conducting their respective businesses as described in the Prospectus.

(v) There are not any contracts or other documents that are required to be described in the Prospectus or filed as exhibits to the Registration Statement by the Securities Act or by the Rules and Regulations that have not been described in the Prospectus or filed as exhibits to the Registration Statement or incorporated therein by reference as permitted by the Rules and Regulations.

(w) There is not any relationship, direct or indirect, that exists between or among the Company on the one hand, and the directors, officers, stockholders, customers or suppliers of the Company on the other hand, that is required by the Securities Act or by the Rules and Regulations to be described in the Prospectus and which is not so described.

(x) There is not any labor problem or disturbance with the persons employed by the Company, any Subsidiary or any Joint Venture that exists or, to the knowledge of the Company, that is threatened and that might reasonably be expected to have a material adverse effect on the financial condition or results of opera-

tions of the Company, its Subsidiaries and Joint Ventures taken as a whole.

(y) The Company, the Subsidiaries and the Joint Ventures do not maintain any "pension plans," as defined by the Employee Retirement Income Security Act

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of 1974, as amended, other than plans qualified under Section 401(k) of the Internal Revenue Code of 1986, as amended.

(z) None of the Company, any Subsidiary or any Joint Venture (i) is in violation of its respective charter, by-laws or partnership agreements, (ii) is in default, and no event exists and is continuing that, with notice or lapse of time or both, would constitute such a default, in the due performance and observance of any material term contained in any lease, license, indenture, mortgage, deed of trust, note, bank loan or other evidence of indebtedness or any other agreement, understanding or instrument to which the Company, any Subsidiary or any Joint Venture is a party or by which the Company, any Subsidiary or any Joint Venture or any property of the Company, any Subsidiary or any Joint Venture may be bound or affected, which default would have a material adverse effect on the financial condition or results of operations of the Company, its Subsidiaries and Joint Ventures taken as a whole, or (iii) is in violation of any law, ordinance, governmental rule or regulation or court decree to which it may be subject, which violation would have a material adverse effect on the financial condition or results of operations of the Company, its Subsidiaries and Joint Ventures taken as a whole.

(aa) There has been no storage, disposal, generation, manufacture, refinement, transportation, handling or treatment of toxic wastes, hazardous wastes or hazardous substances by the Company, any Subsidiary or any Joint Venture (or, to the knowledge of the Company, any of their predecessors in interest) at, upon or from any of the property now or previously owned or leased by the Company, any Subsidiary or any Joint Venture in violation of any applicable law, ordinance, rule, regulation, order, judgment, decree or permit or which would require remedial action under any applicable law, ordinance, rule, regulation, order, judgment, decree or permit, except for any violation or

remedial action which does not have, or would not be reasonably likely to have, singularly or in the aggregate with all such violations and remedial actions, a material adverse effect on the financial condition or results of operations of the Company, its Subsidiaries and the Joint Ventures taken as a whole; there has been no material spill, discharge, leak, emission, injection, escape, dumping or release of any kind onto such property or into the environment surrounding such property of any toxic wastes, solid wastes, hazardous wastes or hazardous substances due to or caused by the Company, any Subsidiary or any Joint Venture or with respect to which the Company, any Subsidiary or any Joint Venture has knowledge, except for any such spill, discharge, leak, emission, injection, escape, dumping or release which does not have, or would not be reasonably likely to have, singularly or in the aggregate with all such spills, discharges, leaks, emissions, injections, escapes, dumpings and releases, a material adverse effect on the financial condition or results of operations of the Company, its Subsidiaries and its Joint Ventures taken as a whole; and the terms "hazardous wastes", "toxic

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wastes" and "hazardous substances" shall have the meanings specified in any applicable local, state, federal and foreign laws or regulations with respect to environmental protection.

(ab) The Company is not, and, after giving effect to the issuance of the Notes and the application of the proceeds therefrom, shall not be, an "investment company," or, to the best knowledge of the Company after due inquiry, a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended (the "1940 Act").

(ac) The Company, each Subsidiary and each Joint Venture has filed all federal, state and local income and franchise tax returns required to be filed through the date hereof, or has filed extensions in accordance with applicable law, and has paid all taxes required to be paid through the date hereof thereon, except for such failures to file or pay that would not have a material adverse effect on the financial condition or results of operations of the Company and its Subsidiaries and Joint Ventures taken as a whole, and no tax deficiency has been determined adversely to the Company, any Subsidiary or any Joint Venture that has had (nor

does the Company have any knowledge of any tax deficiency which, if determined adversely to the Company, any Subsidiary or any Joint Venture would be reasonably likely to have) a material adverse effect on the financial condition or results of operations of the Company and its Subsidiaries and Joint Ventures taken as a whole.

2. Purchase of the Notes by the Underwriters. On the basis of the representations and warranties contained in, and subject to the terms and conditions of, this Agreement, the Company agrees to sell the Notes to the several Underwriters and each of the Underwriters, severally and not jointly, agrees to purchase the principal amount of Notes set forth opposite that Underwriter's name in Schedule 1 hereto. The respective purchase obligations of the Underwriters with respect to the Notes shall be rounded among the Underwriters to avoid Notes in an amount less than $1,000 or any integral multiple thereof, as the Representatives may determine. The price to be paid to the Company for the Notes shall be __% of the aggregate principal amount thereof. The Company shall not be obligated to deliver any of the Notes to be delivered on the Delivery Date except upon payment for all the Notes to be purchased on the Delivery Date as provided herein.

3. Offering of Notes by the Underwriters. Upon authorization by the Representatives of the release of the Notes, the several Underwriters shall offer the Notes for sale upon the terms and conditions set forth in the Prospectus.

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4. Delivery of and Payment for the Notes. Delivery of and payment for the Notes shall be made at the offices of Skadden, Arps, Slate, Meagher & Flom, 919 Third Avenue, New York, New York 10022, at 10:00 A.M., New York City time, on the fifth full business day following the date of this Agreement or at such other date or place as shall be determined by agreement between the Representatives and the Company. This date and time are sometimes referred to as the "Delivery Date." On the Delivery Date, the Company shall deliver or cause to be delivered certificates representing the Notes to the Representatives for the account of each Underwriter against payment to or upon the order of the Company of the purchase price by certified or official bank check or checks payable in New York Clearing House (next-day)

funds. Time shall be of the essence, and delivery at the time and place specified pursuant to this Agreement is a further condition of the obligation of each Underwriter hereunder. Upon delivery, the Notes shall be in definitive fully registered form and registered in such names and in such denominations as the Representatives shall request in writing not less than two full business days prior to the Delivery Date. For the purpose of expediting the checking and packaging of the certificates for the Notes, the Company shall make the certificates representing the Notes available for inspection by the Representatives in New York, New York, not later than 2:00 P.M., New York City time, on the business day prior to the Delivery Date.

5. Further Agreements of the Company. The Company agrees:

(a) To prepare the Prospectus in a form approved by the Representatives and to file such Prospectus pursuant to Rule 424(b) under the Securities Act not later than the Commission's close of business on the second business day following the execution and delivery of this Agreement or, if applicable, such earlier time as may be required by Rule 430A(a)(3) under the Securities Act; to make no further amendment or any supplement to the Registration Statement or to the Prospectus prior to the Delivery Date except as permitted herein; to advise the Representatives, promptly after it receives notice thereof, of the time when any amendment to the Registration Statement has been filed or becomes effective or any supplement to the Prospectus or any amended Prospectus has been filed and to furnish the Representatives with copies thereof; to promptly file all reports and any definitive proxy or information statements required to be filed by the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of the Prospectus and for so long as the delivery of a prospectus is required in connection with the offering or sale of the Notes; to advise the Representatives, promptly after it receives notice thereof, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or the Prospectus, of the suspension of the qualification of the Notes for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any

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request by the Commission for the amending or supplementing of the Registration Statement or the Prospectus or for additional information; and in the event of the issuance of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or the Prospectus or suspending any such qualification, to promptly use its best efforts to obtain its withdrawal;

(b) To furnish promptly to each of the Representatives and to counsel for the Underwriters a signed copy of the Registration Statement as originally filed with the Commission, and each amendment thereto filed with the Commission, including all consents and exhibits filed therewith;

(c) To deliver promptly to the Representatives such number of the following documents as the Representatives shall reasonably request: (i) conformed copies of the Registration Statement as originally filed with the Commission and each amendment thereto (in each case excluding exhibits other than this Agreement and the Indenture), (ii) each Preliminary Prospectus, the Prospectus and any amended or supplemented Prospectus and (iii) any document incorporated by reference in the Prospectus (excluding exhibits thereto); and, if the delivery of a prospectus is required at any time after the Effective Time in connection with the offering or sale of the Notes as reasonably determined by the Representatives and if at such time any event shall have occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such Prospectus is delivered, not misleading, or, if for any other reason it shall be necessary to amend or supplement the Prospectus or to file under the Exchange Act any document incorporated by reference in the Prospectus in order to comply with the Securities Act or the Exchange Act, to notify the Representatives and, to file such document and to prepare and furnish without charge to each Underwriter and to any dealer in securities as many copies as the Representatives may from time to time reasonably request of an amended or supplemented Prospectus which shall correct such statement or omission or effect such compliance;

(d) Until completion of the distribution of the Notes, as reasonably determined by the Representatives, and at any time if the delivery of a prospectus is required in connection with the offering or sale of the Notes, to file promptly with the Commission any amendment to the Registration Statement or the Prospectus or any supplement to the Prospectus that may, in the judgment of the Company or, in the reasonable judgment of the Representatives, be required by the Securities Act or requested by the Commission;

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(e) Prior to filing with the Commission any (i) amendment to the Registration Statement or supplement to the Prospectus, (ii) any document incorporated by reference in the Prospectus or (iii) any Prospectus pursuant to Rule 424 of the Rules and Regulations, to furnish a copy thereof to the Representatives and counsel for the Underwriters and obtain the consent of the Representatives to the filing, which consent shall not be unreasonably withheld;

(f) As soon as practicable after the Effective Date, to make generally available to the Company's security holders and to deliver to the Representatives an earnings statement of the Company and its Subsidiaries (which need not be audited) complying with Section 11(a) of the Securities Act and the Rules and Regulations (including, at the option of the Company, Rule 158);

(g) For a period of two years following the Effective Date, to furnish to the Representatives, upon their request, a reasonable number of copies of all materials furnished by the Company to its shareholders and all public reports and all publicly available reports and financial statements furnished by the Company to the principal national securities exchange upon which the Company's common stock may be listed pursuant to requirements of or agreements with such exchange or to the Commission pursuant to the Exchange Act or any rule or regulation of the Commission thereunder;

(h) Promptly from time to time, to take such action as the Representatives may reasonably request to qualify the Notes for offering and sale under the securities laws of such jurisdictions as the Representatives may reasonably request and to comply with such laws

so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be reasonably necessary to complete the distribution of the Notes; provided that, in connection therewith the Company shall not, with respect to any such jurisdiction, be required to qualify as a foreign corporation, to file a general consent to service of process or to take any other action that would subject it to service of process in suits other than those arising out of the offering of the Notes or to taxation in respect of doing business in any jurisdiction in which it is not otherwise subject;

(i) For a period of 90 days from the date of the Prospectus, not to offer for sale, sell, contract to sell or otherwise dispose of, directly or indirectly, any debt securities of the Company, or to sell, contract to sell or grant options, rights or warrants with respect to any such debt securities of the Company, without the prior written consent of the Representatives, except for (i) the establishment of senior working capital facilities, (ii) entering into interest rate swaps or other interest rate protection agreements and (iii) other commercial banking transactions;

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(j) Until the completion of the distribution of the Notes, as reasonably determined by the Underwriters, to file promptly all documents required to be filed with the Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act, and such documents shall comply in all material respects with the requirements of the Exchange Act or any rule or regulation of the Commission thereunder;

(k) Prior to the Effective Date, to apply for the listing of the Notes on the New York Stock Exchange, Inc. and to use its reasonable efforts to complete that listing, subject only to official notice of issuance, on or promptly after the Delivery Date;

(l) To apply the net proceeds from the sale of the Notes being sold by the Company as set forth in the Prospectus; and

(m) To take such steps as shall be necessary to ensure that, after giving effect to the issuance of the Notes and the application of the proceeds therefrom, none of the Company, any Subsidiary or any

Joint Venture shall become an "investment company" within the meaning of the term under the 1940 Act and the rules and regulations of the Commission thereunder.

6. Expenses. The Company agrees to pay (a) the costs incident to the authorization, issuance, sale and delivery of the Notes and any taxes payable in that connection, (b) the costs incident to the preparation, printing and filing under the Securities Act of the Registration Statement and any amendments and exhibits thereto (but excluding fees and expenses of counsel for the Underwriters), (c) the costs of distributing the Registration Statement as originally filed and each amendment thereto and any post-effective amendments thereof (including, in each case, exhibits), any Preliminary Prospectus, the Prospectus and any amendment or supplement to the Prospectus or any document incorporated by reference therein, all as provided in this Agreement, (d) the costs of reproducing and distributing this Agreement, (e) any applicable listing or other fees, (f) the fees and expenses of qualifying the Notes under the securities laws of the several jurisdictions as provided in Section 5(h) and of preparing, printing and distributing a Blue Sky Memorandum (including reasonable fees and expenses of counsel to the Underwriters not to exceed $25,000 in the aggregate), (g) the fees paid to rating agencies in connection with the rating of the Notes; and (h) all other costs and expenses incident to the performance of the obligations of the Company under this Agreement; provided that, except as provided in this Section 6 and in Section 11, the Underwriters shall pay their own costs and expenses, including the costs and expenses of their counsel, any transfer taxes on the Notes which they may sell and the expenses of marketing and advertising any offering of the Notes made by the Underwriters.

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7. Conditions of Underwriters' Obligations. The respective obligations of the Underwriters hereunder are subject to the accuracy, when made and on the Delivery Date, of the representations and warranties of the Company contained herein, to the performance by the Company of its obligations hereunder, and to each of the following additional terms and conditions:

(a) The Prospectus shall have been timely filed with the Commission in accordance with

Section 5(a); no stop order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission; and any request of the Commission for inclusion of additional information in the Registration Statement or the Prospectus or otherwise shall have been complied with.

(b) No Underwriter shall have discovered and disclosed to the Company on or prior to the Delivery Date that the Registration Statement or the Prospectus or any amendment or supplement thereto contains an untrue statement of a fact that, in the opinion of Skadden, Arps, Slate, Meagher & Flom, counsel for the Underwriters, is material or omits to state a fact which, in the opinion of such counsel, is material and is required to be stated therein or is necessary to make the statements therein, in respect of the Prospectus, in the light of the circumstances under which they were made, not misleading.

(c) All corporate proceedings and other legal matters incident to the authorization, form and validity of this Agreement, the Indenture, the Notes, the Registration Statement and the Prospectus, and all other legal matters relating to this Agreement and the Indenture, and the transactions contemplated hereby and thereby shall be satisfactory in all material 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.

(d) The Company shall have furnished to the Representatives the opinion of Steven A. McArthur, General Counsel to the Company, addressed to the Underwriters and dated the Delivery Date, in form and substance satisfactory to the Representatives, to the effect that:

(i) Each of the Company, its Subsidiaries and the Joint Ventures has been duly organized and is validly existing and, if applicable, in good standing under the laws of its respective jurisdiction of organization and each of the Company, its Subsidiaries and the Joint Ventures has the corporate power and authority to own, lease and

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operate its respective properties and to conduct its businesses as described in the Prospectus;

(ii) Each of the Company, its Subsidiaries and the Joint Ventures is duly registered or qualified to do business and, if applicable, is in good standing as a foreign corporation or a foreign partnership, as the case may be, in each jurisdiction, domestic or foreign, in which such registration, qualification or good standing is required (whether by reason of the ownership or leasing of property, the conduct of its business or otherwise), except where failure to so register or qualify or be in good standing would not have a material adverse effect on the financial condition or results of operation of the Company, its Subsidiaries and the Joint Ventures taken as a whole;

(iii) The Company has the authorized and outstanding capitalization as set forth in the column labeled "Actual" under the caption "Capitalization" in the Prospectus; all the outstanding shares of capital stock of each Subsidiary have been duly and validly authorized and issued, are fully paid and non-assessable, and, except as described in or contemplated by the Prospectus, are owned beneficially by the Company free and clear of any material claims, liens, encumbrances and security interests; the Company is currently the beneficial owner of approximately 46%, 48% and 50% of the outstanding partnership interests of CFP, CED and CPD, respectively; all such interests have been duly and validly authorized and issued and are owned beneficially by the Company free and clear of any material claims, liens, encumbrances and security interests, except as described in or contemplated by the Prospectus;

(iv) There are no preemptive or other rights to subscribe for or to purchase, nor any restriction upon the transfer of, the Notes pursuant to the Company's charter, by-laws or any agreement or other instrument known to such counsel;

(v) Except as contemplated in the Prospectus with respect to (i) the pledging or granting of security interests in all material

properties to secure project financing obligations and (ii) governmental contracts, leases and other non-transferable interests that are terminable by the applicable governmental body, each of the Company, its Subsidiaries and the Joint Ventures has good title to, or valid and enforceable leasehold or contractual interests in, all items of real and personal property that are material to the business of such entity, free and clear of all liens, encumbrances, claims and security interests except for liens, claims, encumbrances and title defects that are, singularly and in the aggregate, not material in amount or do not materially interfere with the use or enjoyment of such properties by the Company, any Subsidiary or any Joint Venture as described in the Prospectus;

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(vi) To such counsel's knowledge, except as described in the Prospectus, there is no action, suit or proceeding before any court or governmental agency or body, domestic or foreign, now pending or threatened against or affecting the Company, any Subsidiary or any Joint Venture, that is reasonably expected to result in any material adverse change in the financial condition or results of operations of the Company and its Subsidiaries taken as a whole, or is reasonably expected to materially and adversely affect the consummation of the transactions contemplated by this Agreement;

(vii) To such counsel's knowledge, each of the Company, its Subsidiaries and the Joint Ventures possesses such licenses, certificates, permits and other authorizations issued by the appropriate state, federal or foreign regulatory agencies or bodies as are currently required to conduct the business now operated by it and all such licenses, certificates, permits and other authorizations are in full force and effect, and the Company, the Subsidiaries and the Joint Ventures are in compliance therewith, except as described in or contemplated by the Prospectus and except with respect to (A) licenses, certificates, permits or authorizations that the failure to obtain would not have a material adverse affect on the financial condition or results of operations of the Company and its Subsidiaries and Joint Ventures taken as a whole,

(B) permits, consents and approvals that may be required for future drilling or operating activities that are ordinarily deemed to be ministerial in nature and that are anticipated to be obtained in the ordinary course and (C) permits, consents and approvals for developmental or construction activities that have not yet been obtained but that have been or shall be applied for in the course of development or construction and that are anticipated to be obtained in the ordinary course;

(viii) The Company has all requisite corporate power and authority to enter into this Agreement and the Indenture, to issue the Notes in accordance with the Indenture and to consummate the transactions contemplated by this Agreement and the Indenture;

(ix) The statements in the Prospectus under the captions (A) "Description of the Notes" insofar as they purport to summarize the provisions of the Indenture and the Notes and (B) "The Business of the Company -- Legal Proceedings" to the extent that they constitute matters of law or legal conclusions have been reviewed by such counsel and fairly summarize the information or matters described therein;

(x) There are no contracts or other documents which are required to be

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described in the Prospectus or filed as exhibits to the Registration Statement by the Securities Act or by the Rules and Regulations which have not been described or filed as exhibits to the Registration Statement or incorporated by reference therein as permitted by the Rules and Regulations;

(xi) This Agreement has been duly authorized, executed and delivered by the Company;

(xii) The Indenture has been duly authorized, executed and delivered by the Company and constitutes a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as enforcement may

be limited by bankruptcy, insolvency (involving, without limitation, all laws relating to fraudulent transfers), reorganization or other similar laws affecting creditors' rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law);

(xiii) The Notes have been duly authorized and executed by the Company, and, assuming due authentication by the Trustee, when issued and delivered as contemplated by the Indenture upon payment therefor as provided in this Agreement, will be validly issued and outstanding and constitute valid and binding obligations of the Company entitled to the benefits of the Indenture and enforceable against the Company in accordance with their terms, except as enforcement may be limited by bankruptcy, insolvency (involving, without limitation, all laws relating to fraudulent transfers), reorganization or other similar laws affecting creditors' rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law);

(xiv) None of the Company, any Subsidiary or any Joint Venture is in violation of its respective charter, by-laws or partnership agreement; to such counsel's knowledge, none of the Company, any Subsidiary or any Joint Venture is in default in the performance or observance of any obligation, agreement, covenant or condition contained in any contract, indenture, mortgage, loan agreement, note, license, lease or other agreement or instrument to which it is a party or by which it may be bound, or to which any of its property or assets is subject, other than any such violation or default that would not have a material adverse affect on the financial condition or results of operations of the Company and its Subsidiaries and Joint Ventures taken as a whole;

(xv) The execution, delivery and performance of this Agreement, the Indenture and the Notes, and the issuance and delivery by the Company of the

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Notes pursuant to the Indenture do not and

will not result in any violation of the charter or by-laws of the Company, and do not and will not conflict with or constitute a breach of, or default under, or result in the creation or imposition of any tax, lien, charge or encumbrance upon any revenues, property or assets of the Company, any Subsidiary or any Joint Venture pursuant to, (A) any applicable treaty, law, rule or regulation, (B) any applicable judgment, order or decree of any government, governmental instrumentality or court, domestic or foreign, having jurisdiction over the Company, any Subsidiary or any Joint Venture or any of their respective properties or assets or (C) any contract, indenture, mortgage, loan, agreement, note, license, lease or other agreement or instrument to which the Company, any Subsidiary or any Joint Venture is a party or by which it or any of them may be bound, or to which any of the property or assets of the Company, any Subsidiary or any Joint Venture is subject (other than any such conflicts, violations, breaches, defaults, creations or impositions as individually or in the aggregate would not have a material adverse affect on the financial condition or results of operations of the Company and its Subsidiaries taken as a whole);

(xvi) No consent, authorization, order of, or filing or registration by the Company with, any governmental authority or body having jurisdiction over the Company is necessary or required for the performance by the Company of its obligations under this Agreement, or in connection with the issuance and sale of the Notes hereunder, except as may be required under applicable or foreign state securities laws or blue sky laws in connection with the purchase and distribution of the Notes by the Underwriters;

(xvii) There are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Securities Act with respect to any debt securities of the Company owned or to be owned by such person or (except as have been waived) to require the Company to include any securities in the securities registered pursuant to the Registration

Statement or, with respect to any debt securities, in any securities being registered pursuant to any other registration statement filed by the Company under the Securities Act;

(xviii) The Company is not, and after giving effect to the issuance of the Notes and the application of the proceeds therefrom shall not be, an "investment company," or, to such counsel's knowledge, a company

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"controlled" by an "investment company," within the meaning of the 1940 Act; and

(xix) The documents incorporated by reference in the Prospectus and any further amendments or supplements to any such incorporated document made by the Company prior to the Delivery Date (other than the financial statements, related schedules and other financial and statistical information contained therein or omitted therefrom as to which such counsel need express no opinion), when they became effective or were filed with the Commission, as the case may be, appear on their face to have been appropriately responsive in all material respects to the applicable requirements of the Securities Act or the Exchange Act, as the case may be, and the Rules and Regulations of the Commission thereunder.

(e) The Company shall have furnished to the Representatives the opinion of Willkie Farr & Gallagher, special counsel to the Company, addressed to the Underwriters and dated the Delivery Date, in form and substance satisfactory to the Representatives, to the effect that:

(i) The Company has been duly organized and is validly existing and in good standing under the laws of its jurisdiction of organization and the Company has the corporate power and authority to own, lease and operate its properties and to conduct its businesses as described in the Prospectus;

(ii) Such counsel has been advised by the Commission that the Registration Statement has been declared effective under the Securities Act and the Indenture has been qualified under the Trust

Indenture Act; the Prospectus has been filed with the Commission pursuant to the appropriate subparagraph of Rule 424(b) of the Rules and Regulations; to the knowledge of such counsel, no stop order suspending the effectiveness of the Registration Statement has been issued and no proceeding for that purpose is pending or threatened by the Commission;

(iii) The Registration Statement and the Prospectus and any further amendments or supplements thereto made by the Company prior to the Delivery Date (other than the financial statements, related schedules, other financial and statistical information contained therein or omitted therefrom as to which such counsel need express no opinion) as of their effective dates, appear on their face to have been appropriately responsive in all material respects to the applicable requirements of the Securities Act and the Rules and Regulations; and the Indenture conforms in all material respects to the requirements of the Trust Indenture Act and the applicable rules and regulations thereunder;

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(iv) The statements in the Prospectus under the captions (A) "Description of the Notes" insofar as they purport to summarize the provisions of the Indenture and the Notes and (B) "Certain Tax Considerations," to the extent that they constitute a summary of federal income tax matters relating to the Notes and constitute matters of law or legal conclusions, have been reviewed by such counsel and fairly summarize the information or matters described therein;

(v) To such counsel's knowledge, there are no contracts or other documents which are required to be described in the Prospectus or filed as exhibits to the Registration Statement by the Securities Act or by the Rules and Regulations which have not been described or filed as exhibits to the Registration Statement or incorporated by reference therein as permitted by the Rules and Regulations;

(vi) This Agreement has been duly authorized, executed and delivered by the Company;

(vii) The Indenture has been duly authorized, executed and delivered by the Company and constitutes a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting creditors' rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law);

(viii) The Notes have been duly authorized and executed by the Company, and, assuming due authentication by the Trustee, when issued and delivered as contemplated by the Indenture upon payment therefor as provided in this Agreement, will be validly issued and outstanding and constitute valid and binding obligations of the Company entitled to the benefits of the Indenture and enforceable against the Company in accordance with their terms, except as enforcement may be limited by bankruptcy, insolvency (involving, without limitation, all laws relating to fraudulent transfers), reorganization or other similar laws affecting creditors' rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law);

(ix) No consent, authorization, order of, or filing or registration by the Company with, any governmental authority or body having jurisdiction over the Company is necessary or required for the performance by the Company of its obligations under this Agreement, or in connection with the issuance and sale of the Notes hereunder, except as may be required under applicable state or foreign securities laws or blue sky laws in connection with the purchase and distribution of the Notes by the Underwriters;

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(x) The issuance of the Notes and the compliance by the Company with the terms of the Indenture and the Notes will not result in a "Default" or "Event of Default" within the meaning of the Senior Notes or the Note Purchase Agreement and

each of (x) the Escrow Deposit Agreement, dated March 3, 1994, among the Company, Principal Mutual and Bank of America NT & SA (the "Escrow Agreement") and (y) the Defeasance Agreement, dated March 3, 1994, between the Company and Principal Mutual (the "Defeasance Agreement"), is a valid and binding agreement of the Company and is enforceable against the Company in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency (involving, without limitation, all laws relating to fraudulent transfers), reorganization or other similar laws affecting creditors' rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law); and

(xi) The covenants contained in the Senior Notes and the Note Purchase Agreement as to which the Defeasance Agreement provides for defeasance (the "Defeased Covenants") shall have ceased to be effective and are not binding on the Company; the issuance of the Notes and compliance by the Company with the terms of the Indenture and the Notes would not constitute a "Default" or "Event of Default" within the meaning of the Senior Notes or the Note Purchase Agreement in the event the "Defeased Covenants" were revived or reinstated in accordance with the terms of the Defeasance Agreement; and the opinions set forth in paragraphs (vii) and (viii) as to the validity and binding nature, and the enforceability, of the Notes and the Indenture would not be affected by any such revival or reinstatement of the Defeased Covenants.

(f) In the rendering of the opinions described in Section 7(d) and Section 7(e) above, such counsel may (i) state that their opinion is limited to matters governed by the Federal laws of the United States of America, the laws of the State of New York, the General Corporation Law of the State of Delaware and, in the case of the General Counsel of the Company, the laws of the State of California, and (ii) rely, to the extent they deem proper, in respect of matters of fact, upon certificates and representations of officers of the Company, the Subsidiaries or the Joint Ventures and public officials. Such counsel shall also have furnished

to the Representatives a written statement, addressed to the Underwriters and dated the Delivery Date, in form and substance reasonably satisfactory to the Representatives to the effect that (i) such counsel (in the case of Willkie

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Farr & Gallagher, such counsel may state that they have acted as special counsel to the Company for purposes of the subject Note Offering) have participated in conferences with representatives of the Company, some of which have been attended by the Underwriters and their counsel, at which conferences the contents of the Registration Statement, the Prospectus, each amendment thereof and supplement thereto and related matters were discussed, although such counsel has not independently checked or verified and is not passing upon and assumes no responsibility for the factual accuracy, completeness or fairness of the statements contained in the Registration Statement, the Prospectus, any amendment thereof or supplement thereto, and (ii) based on the foregoing, no facts have come to the attention of such counsel which cause them to believe that (except for the financial statements, related schedules and other financial and statistical information contained therein or omitted therefrom as to all of which such counsel need not express any belief) (I) the Registration Statement, as of the Effective Date, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading, or that the Prospectus, as amended and supplemented as of the Effective Time, contains any untrue statement of a material fact or omits 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 made, not misleading or (II), in the case of the General Counsel of the Company, any document incorporated by reference in the Prospectus or any further amendment or supplement to such incorporated document made by the Company prior to the Delivery Date when they became effective or were filed with the Commission, as the case may be, contained, in the case of a registration statement that became effective under the Securities Act, any untrue statement of a material fact or omitted to state a material fact required to be stated therein, in the light of the circumstances under which they were made, or necessary in order to make the statements therein not misleading, or, in the case of other documents which were filed under the Exchange Act with the Commis-

sion, 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 under which they were made, not misleading.

(g) With respect to the letter of Deloitte & Touche delivered to the Representatives concurrently with the execution of this Agreement, the Company shall have furnished to the Representatives a letter (the "bring-down letter") of such accountants, addressed to the Underwriters and dated the Delivery Date, (i) confirming that they are independent public accountants within the meaning of the Securities Act and are in compliance with the applicable requirements relating to the qualification of accountants under Rule 2-01 of Regulation S-X of the Commission, (ii) stating, as of the date of the bring-down letter (or, with respect to matters involving changes or development since the respective dates as of which specified financial information is given in the Prospectus, as

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of a date not more than five days prior to the date of the bring-down letter), the conclusions and findings of such firm with respect to the financial information and other matters covered by the initial letter, and (iii) confirming in all material respects the conclusions and findings set forth in the initial letter.

(h) The Company shall have furnished to the Representatives a certificate, dated the Delivery Date, of its Chairman of the Board, its President or a Vice President and its Chief Financial Officer stating that:

(i) The representations, warranties and agreements of the Company in Section 1 are true and correct as of the Delivery Date; the Company has complied with all its agreements contained herein; and the conditions set forth in Sections 7(a) and 7(j) have been fulfilled; and

(ii) They have carefully examined the Registration Statement and the Prospectus and, in their opinion (A) as of the Effective Date, the Registration Statement and Prospectus did not include any untrue statement of a material fact and did not omit to state a material fact required to be stated therein or necessary to make the statements therein, in respect of the Prospectus, in the light of the circumstances under which they were made, not

misleading, and (B) since the Effective Date no event has occurred which is required to be set forth in a supplement or amendment to the Registration Statement or the Prospectus which has not been so set forth.

(i) Each of the Escrow Agreement and the Defeasance Agreement shall have become effective in accordance with their terms, and pursuant thereto, the Defeased Covenants shall have ceased to be effective, and no default or event of default under the Senior Notes or the Note Purchase Agreement shall have occurred and be continuing, and the Company shall have furnished or caused to be furnished to the Representatives (i) satisfactory evidence with respect to the foregoing and (ii) the consent of Principal Mutual to the issuance of the Notes and the compliance by the Company with the Indenture and the Notes in form and substance satisfactory to the Representatives;

(j) Since the date of the latest audited financial statements included or incorporated by reference in the Prospectus (i) there has been no material adverse change, or a development which is reasonably likely to lead to a material adverse change, in the financial condition or results of operations of the Company, its Subsidiaries and Joint Ventures taken as a whole and (ii) except as disclosed in the Prospectus, there have not been any transactions entered into by the Company, its Subsidiaries or any Joint Venture, other than those in the ordinary course of business, which are material and adverse to the Company, its Subsidiaries and Joint Ventures taken as a whole, and which, in the judgment of the Representatives, make it impracticable or inadvisable to

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proceed with the public offering or the delivery of the Notes on the terms and in the manner contemplated in the Prospectus.

(k) Subsequent to the execution and delivery of this Agreement (i) no downgrading shall have occurred in the rating accorded the Company's senior debt securities by any "nationally recognized statistical rating organization", as that term is defined by the Commission for purposes of Rule 436(g)(2) of the Rules and Regulations and (ii) no such organization shall have publicly announced that it has under surveillance or review, with

possible negative implications, its rating of the Company's senior debt securities.

(l) Subsequent to the execution and delivery of this Agreement there shall not have occurred any of the following: (i) trading in securities generally on the New York Stock Exchange or the American Stock Exchange or in the over-the-counter market, or trading in any securities of the Company on any exchange or in the over-the-counter market, shall have been suspended or minimum prices shall have been established on any such exchange or such market by the Commission, by such exchange or by any other regulatory body or governmental authority having jurisdiction, (ii) a banking moratorium shall have been declared by federal or state authorities, (iii) the United States shall have become engaged in hostilities, there shall have been an escalation in hostilities involving the United States or there shall have been a declaration of a national emergency or war by the United States, the effect of which on the financial markets in the United States would make it, in the judgment of a majority in interest of the several Underwriters, impracticable or inadvisable to proceed with the public offering or delivery of the Notes on the terms and in the manner contemplated by the Prospectus or (iv) there shall have occurred such a material adverse change in general economic or financial conditions (or the effect of international conditions on the financial markets in the United States shall be such) as to make it, in the judgment of a majority in interest of the several Underwriters, impractical or inadvisable to proceed with the public offering or delivery of the Notes on the terms and in the manner contemplated in the Prospectus.

All opinions, letters, evidence and certificates mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in form and substance satisfactory to counsel for the Underwriters.

8. Indemnification and Contribution. (a) The Company shall indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of the Securities Act, from and against any loss, claim, damage or liability, joint or several, and any action in respect thereof (including, but not limited to, any loss, claim, damage, liability or

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action relating to purchases and sales of the Notes), to which that Underwriter or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement or the Prospectus or in any amendment or supplement thereto or (ii) the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, with respect to any Preliminary Prospectus or the Prospectus, in the light of the circumstances under which they were made, not misleading, and shall reimburse each Underwriter and each such controlling person promptly upon demand for any legal or other expenses reasonably incurred by that Underwriter or controlling person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action; provided, however, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of, or is based upon, any untrue statement or alleged untrue statement or omission or alleged omission made in any Preliminary Prospectus, the Registration Statement or the Prospectus or in any such amendment or supplement in reliance upon and in conformity with written information furnished to the Company through the Representatives by or on behalf of any Underwriter specifically for inclusion therein; and provided, further, that as to any Preliminary Prospectus or Prospectus, this indemnity agreement shall not inure to the benefit of any Underwriter or any person controlling that Underwriter on account of any loss, claim, damage, liability or action arising from the sale of Notes to any person by that Underwriter if that Underwriter failed to send or give a copy of the Prospectus, as the same may be amended or supplemented, to that person within the time required by the Securities Act, and the untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact in such Preliminary Prospectus was corrected in the Prospectus and such document was made available to the Underwriters prior to the sale of such Notes. For purposes of the last proviso to the immediately preceding sentence, the term "Prospectus" shall not be deemed to include the documents incorporated therein by reference, and no Underwriter shall be obligated to send

or give any supplement or amendment to any document incorporated by reference in any preliminary Prospectus or the Prospectus to any person other than a person to whom such Underwriter had delivered such incorporated document or documents in response to a written request therefor. The foregoing indemnity agreement is in addition to any liability which the Company may otherwise have to any Underwriter or to any controlling person of that Underwriter.

(b) Each Underwriter, severally and not jointly, shall indemnify and hold

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harmless the Company, each of its directors, officers, employees and agents and each person, if any, who controls the Company within the meaning of the Securities Act, from and against any loss, claim, damage or liability, joint or several, and any action in respect thereof, to which the Company or any such director, officer, employee, agent or controlling person may become subject, under the Securities Act or otherwise, insofar as such loss, claim, damage, liability or action arises out of, or is based upon, (i) any untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement or the Prospectus or in any amendment or supplement thereto or (ii) the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in respect of any Preliminary Prospectus or the Prospectus, in the light of the circumstances under which they were made, not misleading, but in each case only to the extent that the untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company through the Representatives by or on behalf of such Underwriter specifically for inclusion therein, and shall reimburse the Company and any such director, officer, employee, agent or controlling person promptly upon demand for any legal or other expenses reasonably incurred by the Company or any such director, officer, employee, agent or controlling person in connection with investigating or defending or preparing to defend against any such loss, claim, damage, liability or action . The foregoing indemnity agreement is in addition to any liability which any Underwriter may otherwise have to the Company or any such director, officer or controlling person.

(c) Promptly after receipt by an indemnified party under this Section 8 of notice of any claim or the commencement of any action, the indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under this Section 8, notify the indemnifying party in writing of the claim or the commencement of that action (enclosing a copy of all papers served); provided, however, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have under this Section 8 except to the extent it has been materially prejudiced by such failure and, provided, further, that the failure to notify the indemnifying party shall not relieve it from any liability which it may have to an indemnified party otherwise than under this Section 8. If any such claim or action shall be brought against an indemnified party, and it shall notify the indemnifying party thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it wishes, jointly with any other similarly notified indemnifying party, to assume the defense thereof with counsel reasonably satisfactory to the indemnified party. After notice from the indemnifying party to the indemnified party of its election to assume the defense of such claim or action, the indemnifying party shall not be liable to the indemnified party under this Section 8 for any legal or other expenses subsequently incurred by the indemnified party in connection with the defense thereof other than reasonable costs of investigation; provided, however, that the

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indemnified party shall have the right to employ counsel to represent the indemnified party and their respective controlling persons who may be subject to liability arising out of any claim in respect of which indemnity may be sought by the indemnified party against the indemnifying party under this Section 8 if the employment of such counsel shall have been authorized in writing by the indemnifying party in connection with the defense of such action or, if in the written opinion of counsel to either the indemnifying party or the indemnified party, representation of both parties by the same counsel would be inappropriate due to actual or likely conflicts of interest between them, and in that event the fees and expenses of one firm of separate counsel (in addition to the fees and expenses of local counsel) shall be paid by the indemnifying party. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent.

(d) If the indemnification provided for in this Section 8 shall for any reason be unavailable to or insufficient to hold harmless an indemnified party under Section 8(a) or 8(b) in respect of any loss, claim, damage or liability, or any action in respect thereof, referred to therein, then each indemnifying party shall, in lieu of indemnifying such indemnified party, contribute to the amount paid or payable by such indemnified party as a result of such loss, claim, damage or liability, or action in respect thereof, (i) in such proportion as shall be appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters on the other from the offering of the Notes or (ii) if the allocations 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 the Underwriters on the other with respect to the statements or omissions which resulted in such loss, claim, damage or liability, or action in respect thereof, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other with respect to such offering shall be deemed to be in the same proportion as the total net proceeds from the offering of the Notes purchased under this Agreement (before deducting expenses) received by the Company bear to the total underwriting discounts, fees and commissions received by the Underwriters with respect to the Notes purchased under this Agreement, on the other hand. The relative fault shall be determined by reference to whether the untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact relates to information supplied by the Company or the Underwriters, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contributions pursuant to this Section 8(d) were to be determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take into account the equitable considerations referred to herein. The amount paid or payable by an indemnified party as a result of the loss, claim, damage or

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liability, or action in respect thereof, referred to above in this Section

8(d) shall be deemed to include, for purposes of this Section 8(d), any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim pursuant to Section 8(c) above. Notwithstanding the provisions of this Section 8(d), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Notes underwritten by it and distributed to the public was offered to the public exceeds the amount of any damages which such Underwriter has otherwise paid or become liable to pay by reason of any untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute as provided in this Section 8(d) are several in proportion to their respective underwriting obligations and are not joint.

(e) The Underwriters severally confirm that the statements with respect to the public offering of the Notes set forth on the cover page of, and under the caption "Underwriting" in, the Prospectus are correct and constitute the only information furnished in writing to the Company by or on behalf of the Underwriters specifically for inclusion in the Registration Statement and the Prospectus.

9. Defaulting Underwriters. If, on the Delivery Date, any Underwriter defaults in the performance of its obligations under this Agreement, the remaining non-defaulting Underwriters shall be obligated to purchase the principal amount of Notes which the defaulting Underwriter agreed but failed to purchase on the Delivery Date in the respective proportions which the principal amount of the Notes set forth opposite the name of each remaining non-defaulting Underwriter in Schedule 1 hereto bears to the aggregate principal amount of the Notes set forth opposite the names of all the remaining non-defaulting Underwriters in Schedule 1 hereto; provided, however, that the remaining non-defaulting Underwriters shall not be obligated to purchase any Notes on the Delivery Date if the principal amount of the Notes which the defaulting Underwriter or Underwriters agreed but failed to purchase on such date exceeds 10.0% of

the aggregate principal amount of the Notes to be purchased on the Delivery Date. If the foregoing maximum is exceeded, the remaining non-defaulting Underwriters, or those other underwriters satisfactory to the Representatives

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who so agree, shall have the right, but shall not be obligated, to purchase, in such proportion as may be agreed upon among them, all the Notes to be purchased on the Delivery Date. If the remaining Underwriters or other underwriters satisfactory to the Representatives do not elect to purchase the principal amount of the Notes which the defaulting Underwriter or Underwriters agreed but failed to purchase on the Delivery Date, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter or the Company, except that the Company shall continue to be liable for the payment of expenses to the extent set forth in Sections 6 and 11. As used in this Agreement, the term "Underwriter" includes, for all purposes of this Agreement unless the context requires otherwise, any party not listed in Schedule 1 hereto who, pursuant to this Section 9, purchases Notes which a defaulting Underwriter agreed but failed to purchase.

Nothing contained herein shall relieve a defaulting Underwriter of any liability it may have to the Company for damages caused by its default. If other underwriters are obligated or agree to purchase the Notes of a defaulting or withdrawing Underwriter, either the Representatives or the Company may postpone the Delivery Date for up to seven full business days in order to effect any changes that in the opinion of counsel for the Company or counsel for the Underwriters may be necessary in the Registration Statement, the Prospectus or in any other document or arrangement.

10. Termination. The obligations of the Underwriters hereunder may be terminated by the Representatives by notice given to and received by the Company prior to delivery of and payment for the Notes if, prior to that time, any of the events described in Section 7(k) or 7(l) shall have occurred or if the Underwriters shall decline to purchase the Notes for any reason permitted under this Agreement.

11. Reimbursement of Underwriters' Expenses. If (a) the Underwriters shall decline to purchase the Notes because of the occurrence of any of the events

described in Section 7(k) or 7(l) or (b) the sale of the Notes is not consummated by reason of the failure by the Company to perform any material obligation or satisfy any material condition under this Agreement, the Company shall reimburse the Underwriters for the reasonable fees and expenses of their counsel and for such other reasonable out-of-pocket expenses as shall have been incurred by them in connection with this Agreement and the proposed purchase of the Notes, and upon demand the Company shall pay the full amount thereof to the Representatives; provided that, the aggregate amount to be reimbursed shall not exceed $400,000 (or $350,000 if the Underwriters shall decline to purchase the Notes because of the occurrence of any of the events described in Sections 7(k) or 7(l)). If this Agreement is terminated pursuant to Section 9 by reason of

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the default of one or more Underwriters, the Company shall not be obligated to reimburse any defaulting Underwriter on account of those expenses.

12. Notices, etc. All statements, requests, notices and agreements hereunder shall be in writing, and:

(a) if to the Underwriters, shall be delivered or sent by mail, telex or facsimile transmission to Lehman Brothers Inc., Three World Financial Center, New York, New York 10285, Attention: Syndicate Departments (Fax: 212-528-8822);

(b) if to the Company, shall be delivered or sent by mail, telex or facsimile transmission to the Company at 10831 Old Mill Road, Omaha, Nebraska 68154, Attention: General Counsel (Fax: 402-330-9888);

provided, however, that any notice to an Underwriter pursuant to Section 8(c) shall be delivered or sent by mail, telex or facsimile transmission to such Underwriter at its address set forth in its acceptance telex to the Representatives, which address shall be supplied to any other party hereto by the Representatives upon request. Any such statements, requests, notices or agreements shall take effect at the time of receipt thereof. The Company shall be entitled to act and rely upon any request, consent, notice or agreement given or made on

behalf of the Underwriters by Lehman Brothers Inc. on behalf of the Representatives.

13. Persons Entitled to Benefit of Agreement. This Agreement shall inure to the benefit of and be binding upon the Underwriters, the Company, and their respective successors. This Agreement and the terms and provisions hereof are for the sole benefit of only those persons, except that (a) the representations, warranties, indemnities and agreements of the Company contained in this Agreement shall also be deemed to be for the benefit of the person or persons, if any, who control any Underwriter within the meaning of Section 15 of the Securities Act and (b) the indemnity agreement of the Underwriters contained in Section 8(b) of this Agreement shall be deemed to be for the benefit of directors, officers, employees and agents of the Company and any person controlling the Company within the meaning of Section 15 of the Securities Act. Nothing in this Agreement is intended or shall be construed to give any person, other than the persons referred to in this Section 13, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision contained herein.

14. Survival. The respective indemnities, representations, warranties and

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agreements of the Company and the Underwriters contained in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall survive the delivery of and payment for the Notes and shall remain in full force and effect, regardless of any investigation made by or on behalf of any of them or any person controlling any of them.

15. Definition of the Term "Business Day". For purposes of this Agreement, "business day" means any day on which the New York Stock Exchange, Inc. is open for trading.

16. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

17. Counterparts. This Agreement may be executed in one or more counterparts and, if executed in more than one counterpart, the executed counterparts shall each be deemed to be an original but all such

counterparts shall together constitute one and the same instrument.

18. Headings. The headings herein are inserted for convenience of reference only and are not intended to be part of, or to affect the meaning or interpretation of, this Agreement.

If the foregoing correctly sets forth the agreement among the Company and the Underwriters, please indicate your acceptance in the space provided for that purpose below.

Very truly yours,

CALIFORNIA ENERGY COMPANY, INC.

By

Name:
Title:

Accepted:

LEHMAN BROTHERS INC.

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SALOMON BROTHERS INC
DONALDSON, LUFKIN & JENRETTE
SECURITIES CORPORATION
BEAR, STEARNS & CO. INC.

For themselves and as Representatives
of the several Underwriters named in
Schedule 1 hereto

By LEHMAN BROTHERS INC.

By

Name:
Title:

SCHEDULE 1

<TABLE>
<CAPTION>

Underwriters	Principal Amount of Notes
<S>	<C>
Lehman Brothers Inc.	$
Salomon Brothers Inc	
Donaldson, Lufkin & Jenrette Securities Corporation	
Bear, Stearns & Co. Inc.	
Total	$

</TABLE>

SCHEDULE 2

SUBSIDIARIES OF CALIFORNIA ENERGY COMPANY, INC.

Coso-Related Companies/Partnerships

Coso Hotsprings Intermountain Power, Inc.
Coso Energy Developers
China Lake Operating Co.

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Coso Finance Partners
Coso Technology Corporation
Coso Power Developers
Coso Funding Corp.
Coso Transmission Line Partners
China Lake Geothermal Management Co.
Coso Finance Partners II
California Energy General Corporation
CEGC - Mojave Partnership
China Lake Plant Services, Inc.
Coso Land Company
China Lake Joint Venture
Coso Geothermal Company
Coso Hotsprings Overland Power, Inc.

Operating Companies/Partnerships

CE Geothermal Inc.
Western States Geothermal Company
Intermountain Geothermal Company
CE CIS-FSU
Russian-American Science, Inc.
California Energy Development Corporation
California Energy Yuma Corporation
Yuma Cogeneration Associates
Rose Valley Properties, Inc.
The Ben Holt Co.

Development (Holding) Companies

CE Exploration Company
CE Newberry, Inc.
CE Humboldt, Inc.
Beowawe Geothermal, Inc.
American Pacific Finance Company

International Companies

CE International Ltd.
CE Philippines Ltd.
CE Indonesia Ltd.
Himpurna California Energy Ltd.
CE Cebu Geothermal Power Company, Inc.

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CALIFORNIA ENERGY COMPANY, INC.

TO

Indenture

Dated as of _____, 1994

$_____

_____% Senior Discount Notes due 2004

IBJ SCHRODER BANK & TRUST COMPANY
Trustee

CROSS-REFERENCE TABLE

<TABLE>
<CAPTION>

Trust Indenture Act Section			Indenture Section
<S>	<C>		<C>
(S) 310	(a)	(1)	609
	(a)	(2)	609
	(a)	(3)	Not Applicable
	(a)	(4)	Not Applicable
	(b)		608, 610
(S) 311	(a)		613
	(b)		613
	(c)		Not Applicable
(S) 312	(a)		701, 702
	(b)		702
	(c)		702
(S) 313	(a)		703
	(b)		703

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Note: This Cross-Reference Table shall not, for any purpose, be deemed to be a part of the Indenture.

TABLE OF CONTENTS*

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<CAPTION>

ARTICLE TWO

Security Forms

</TABLE>

- ---

*Note: This table of contents shall not, for any purpose, be deemed to be a part of the Indenture.

<TABLE>
<CAPTION>

ARTICLE THREE

The Securities

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Please Consider the Environment Before Printing This Document

<CAPTION>

ARTICLE FOUR

Satisfaction and Discharge

<TABLE>
<S> <C> <C>
SECTION 401. Satisfaction and Discharge of Indenture..... 70

<CAPTION>

ARTICLE FIVE

Remedies

<S> <C> <C>
SECTION 501. Events of Default..... 70
SECTION 502. Acceleration of Maturity; Rescission and Annulment..... 74
SECTION 503. Collection of Indebtedness and Suits for Enforcement by Trustee..... 75
SECTION 504. Trustee May File Proofs of Claim..... 76
SECTION 505. Trustee May Enforce Claims Without Possession of Securities..... 78
SECTION 506. Application of Money Collected..... 78
SECTION 507. Limitation on Suits..... 78
SECTION 508. Unconditional Right of Holders to Receive Principal, Premium and Interest..... 79
</TABLE>

<TABLE>
<S> <C> <C>
SECTION 509. Restoration of Rights and Remedies..... 80
SECTION 510. Rights and Remedies Cumulative..... 80
SECTION 511. Delay or Omission Not Waiver..... 80
SECTION 512. Control by Holders..... 81
SECTION 513. Waiver Of Past Defaults..... 81
SECTION 514. Undertaking for Costs..... 82
SECTION 515. Waiver of Stay or Extension Laws..... 82

<CAPTION>

ARTICLE SIX

The Trustee

<S> <C> <C>
SECTION 601. Certain Duties and Responsibilities..... 82
SECTION 602. Notice of Defaults; Notice of Acceleration..... 84
SECTION 603. Certain Rights of Trustee..... 84
SECTION 604. Not Responsible for Recitals or Issuance of Securities..... 86
SECTION 605. May Hold Securities..... 86
SECTION 606. Money Held in Trust..... 86
SECTION 607. Compensation and Reimbursement..... 87
SECTION 608. Conflicting Interests..... 88
SECTION 609. Corporate Trustee Required; Eligibility..... 88
SECTION 610. Resignation and Removal; Appointment of Successor..... 89

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Please Consider the Environment Before Printing This Document

<CAPTION>

ARTICLE SEVEN

Holders' Lists and Reports by Trustee and Company

</TABLE>

<TABLE>

<CAPTION>

ARTICLE EIGHT

Consolidation, Merger, Conveyance, Transfer or Lease

<CAPTION>

ARTICLE NINE

Supplemental Indentures

<CAPTION>

ARTICLE TEN

Covenants

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

</TABLE>

INDENTURE, dated as of _____, 1994, between California Energy Company, Inc., a corporation duly organized and existing under the laws of the State of Delaware (herein called the "Company"), having its principal office at 10831 Old Mill Road, Omaha, Nebraska 68154, and IBJ Schroder Bank & Trust Company, a New York banking corporation, as Trustee (herein called the "Trustee").

RECITALS OF THE COMPANY

The Company has duly authorized the creation of an issue of its _____% Senior Discount Notes due 2004 (the "Securities") of substantially the tenor and amount hereinafter set forth, and to provide therefor the Company has duly authorized the execution and delivery of this Indenture.

All things necessary to make the Securities, when executed by the Company and authenticated and delivered hereunder and duly issued by the Company, the valid obligations of the Company, and to make this Indenture a valid agreement of the Company, in accordance with their and its terms, have been done.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Securities by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Securities, as follows:

ARTICLE ONE

Definitions and Other Provisions
of General Application

SECTION 101. Definitions.

(a) For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

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(1) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;

(2) all other terms used herein that are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(3) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with GAAP (whether or not such is indicated herein);

(4) unless the context otherwise requires, any reference to an "Article" or a "Section" refers to an Article or Section, as the case may be, of this Indenture;

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

(6) "or" is not exclusive;

(7) provisions apply to successive events and transactions; and

(8) each reference herein to a rule or form of the Commission shall mean such rule or form and any rule or form successor thereto, in each case as amended from time to time.

Whenever this Indenture requires that a particular ratio or amount be calculated with respect to a specified period after giving effect to certain transactions or events on a pro forma basis, such calculation shall be made as
----
if the transactions or events occurred on the first day of such period, unless otherwise specified.

"Accreted Value" means, with respect to each Security of a minimum denomination, the lesser of (i) $1,000

and (ii) an amount per $1,000 of principal amount that is equal to the sum of (i) the issue price of such Security as determined in accordance with Section 1273 of the Internal Revenue Code or any successor provision plus (ii) the
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aggregate of the portions of the original issue discount (the excess of the

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amounts considered as part of the "stated redemption price at maturity" of such Security within the meaning of Section 1273(a)(2) of the Internal Revenue Code or any successor provision, whether denominated as principal or interest, over the issue price of such Security) that shall theretofore have accrued pursuant to Section 1272 of the Internal Revenue Code or any successor provision (without regard to Section 1272(a)(7) of the Internal Revenue Code or any successor provision) from the date of issue of such Security (a) for each six months or shorter period ending January 15 and July 15 (to January 15, 1997) prior to the date of determination and (b) for the shorter period, if any, from the end of the immediately preceding six month period, as the case may be, to the date of determination, minus (iii) all amounts theretofore
-----
paid in respect of such Security, which amounts are considered as part of the "stated redemption price at maturity" of such Security within the meaning of Section 1273(a)(2) of the Internal Revenue Code or any successor provision (whether such amounts were denominated principal or interest).

"Acquired Debt" means Debt Incurred by a Person prior to the time (i) such Person becomes a Restricted Subsidiary of the Company or an Eligible Joint Venture, (ii) such Person merges with or into a Restricted Subsidiary of the Company or an Eligible Joint Venture, or (iii) a Restricted Subsidiary of the Company or an Eligible Joint Venture merges with or into such Person (in a transaction in which such Person becomes a Restricted Subsidiary of the Company or an Eligible Joint Venture), provided that, after giving effect to such
----
transaction, the Non-Recourse Debt of such Person could have been Incurred pursuant to clause (iii) of Section 1009(b) and all the other Debt of such Person could have been Incurred by the Company at the time of such merger or acquisition pursuant to the provision described in Section 1008(a), and provided further that such Debt was not Incurred in connection with, or in
- -------- -------
contemplation of, such

merger or such Person becoming a Restricted Subsidiary of the Company or an Eligible Joint Venture.

"Acquisition Debt" means Debt of any Person existing at the time such Person is merged into the Company or assumed in connection with the acquisition of Property from any such Person (other than Property acquired in the ordinary course of business), including Debt Incurred in connection with, or in contemplation of, such Person being merged into the Company (but excluding Debt of such Person that is extinguished, retired or repaid in connection with such merger or acquisition).

"Adjusted Consolidated Net Income" means for any period, for any Person (the "Referenced Person") the aggregate Net Income (or loss) of the Referenced Person and its consolidated Subsidiaries for such period determined in conformity with GAAP, provided that the following items shall be excluded in
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computing Adjusted Consolidated Net Income (without duplication): (i) the Net Income (or loss) of any other Person (other than a Subsidiary of the Referenced Person) in which any third Person has an interest , except to the extent of the amount of dividends or other distributions actually paid in cash to the Referenced Person during such period, or after such period and on or before the date of determination, by such Person in which the interest is held, which dividends and distributions shall be included in such computation, (ii) solely for the purposes of calculating the amount of Restricted Payments that may be made pursuant to the provision described in clause (c) of Section 1010(a) (and in such case, except to the extent includable pursuant to clause (i) above), the Net Income (if positive) of any other Person accrued prior to the date it becomes a Subsidiary of the Referenced Person or is merged into or consolidated with the Referenced Person or any of its Subsidiaries or all or substantially all the Property of such other Person are acquired by the Referenced Person or any of its Subsidiaries, (iii) the Net Income (if positive) of any Subsidiary of the Referenced Person, to the extent that the declaration or payment of dividends or similar distributions by the Subsidiary to such Person or to any other Subsidiary of such Net Income is not at the time permitted by operation of the terms of its charter or any agreement, instrument,

judgment, decree, order, statute, rule or governmental regulation applicable to the Subsidiary, (iv) any gains or losses (on an after-tax basis) attributable to Asset Sales (except, solely for the purposes of calculating the amount of Restricted Payments that may be made pursuant to the provision described in clause (c) of Section 1010(a), any gains or losses of the Company and any of its Restricted Subsidiaries from Asset Sales of Capital Stock of Unrestricted Subsidiaries), (v) the cumulative effect of a change in accounting principles and (vi) any amounts paid or accrued as dividends on Preferred Stock of any Subsidiary of the Referenced Person that is not held by the Referenced Person or another Subsidiary thereof. When the "Referenced Person" is the Company, the foregoing references to "Subsidiaries" shall be deemed to refer to "Restricted Subsidiaries."

"Affiliate" of any Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such Person. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with") when used with respect to any Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise. For the purpose of Section 1011, the term "Affiliate" includes only Kiewit, any entity beneficially owning 10% or more of the Voting Stock of the Company and their respective Affiliates other than the Restricted Subsidiaries and the Eligible Joint Ventures and the other equity investors in the Restricted Subsidiaries and the Eligible Joint Ventures (solely on account of their investments in the Restricted Subsidiaries and the Eligible Joint Ventures), and for such purpose such term also includes the Unrestricted Subsidiaries.

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"Asset Acquisition" means (i) an investment by the Company, any of its Subsidiaries or any Joint Venture in any other Person pursuant to which such Person shall become a direct or indirect Subsidiary of the Company or a Joint Venture or shall be merged into or consolidated with the Company, any of its Subsidiaries or

any Joint Venture or (ii) an acquisition by the Company, any of its Subsidiaries or any Joint Venture of the Property of any Person other than the Company, any of its Subsidiaries or any Joint Venture that constitutes substantially all of an operating unit or business of such Person.

"Asset Disposition" means any sale, transfer, conveyance, lease or other disposition (including by way of merger, consolidation or sale-leaseback) by the Company, any of its Restricted Subsidiaries or any Eligible Joint Venture to any Person (other than to the Company, a Restricted Subsidiary of the Company or an Eligible Joint Venture and other than in the ordinary course of business) of any Property of the Company, any of its Restricted Subsidiaries or any Eligible Joint Venture other than any shares of Capital Stock of the Unrestricted Subsidiaries. Notwithstanding the foregoing to the contrary, the term "Asset Disposition" shall include the sale, transfer, conveyance or other disposition of any shares of Capital Stock of any Unrestricted Subsidiary to the extent that the Company or any of its Restricted Subsidiaries or Eligible Joint Ventures made an Investment in such Unrestricted Subsidiary pursuant to clause (vii) of the definition of "Permitted Payment," and the Company shall, and shall cause each of its Restricted Subsidiaries and Eligible Joint Ventures to, apply pursuant to Section 1015 that portion of the Net Cash Proceeds from the sale, transfer, conveyance or other disposition of such Unrestricted Subsidiary that is equal to the portion of the total Investment in such Unrestricted Subsidiary that is represented by the Investment that was made pursuant to clause (vii) of the definition of "Permitted Payment." For purposes of this definition, any disposition in connection with directors' qualifying shares or investments by foreign nationals mandated by applicable law shall not constitute an Asset Disposition. In addition, the term "Asset Disposition" shall not include (i) any sale, transfer, conveyance, lease or other disposition of the Capital Stock or Property of Restricted Subsidiaries or Eligible Joint Ventures pursuant to the terms of any power sales agreements or steam sales agreements to which such Restricted Subsidiaries or such Eligible Joint Ventures are parties on the Issue Date of the Securities or pursuant to the

terms of any power sales agreements or steam sales agreements, or other agreements or contracts that are related to the output or product of, or services rendered by, a Permitted Facility as to which such Restricted Subsidiary or such Eligible Joint Venture is the supplying party, to which such Restricted Subsidiaries or such Eligible Joint Ventures become a party after such date if the President or Chief Financial Officer of the Company determines

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in good faith (evidenced by an Officers' Certificate) that such provisions are customary (or, in the absence of any industry custom, reasonably necessary) in order to effect such agreements and are reasonable in light of comparable transactions in the applicable jurisdiction, (ii) any sale, transfer, conveyance, lease or other disposition of Property governed by Section 801 , (iii) any sale, transfer, conveyance, lease or other disposition of any Cash Equivalents, (iv) any transaction or series of related transactions consisting of the sale, transfer, conveyance, lease or other disposition of Capital Stock or Property with a fair market value aggregating less than $5 million and (v) any Permitted Payment or any Restricted Payment that is permitted to be made pursuant to Section 1010. The term "Asset Disposition" also shall not include (i) the grant of or realization upon a Lien permitted under Section 1012 or the exercise of remedies thereunder, (ii) a sale-leaseback transaction involving substantially all the Property constituting a Permitted Facility pursuant to which a Restricted Subsidiary of the Company or an Eligible Joint Venture sells the Permitted Facility to a Person in exchange for the assumption by that Person of the Debt financing the Permitted Facility and the Restricted Subsidiary or the Eligible Joint Venture leases the Permitted Facility from such Person, (iii) dispositions of Capital Stock, contract rights, development rights and resource data made in connection with the initial development of Permitted Facilities, or the formation or capitalization of Restricted Subsidiaries or Eligible Joint Ventures in respect of the initial development of Permitted Facilities, in respect of which only an insubstantial portion of the prospective Construction Financing that would be required to commence commercial operation has been funded or (iv) transactions determined in good faith by the Chief Financial Officer, as evidenced by an Officers' Certificate, made in order to enhance the repatriation

of the Net Cash Proceeds for a Foreign Asset Disposition or in order to increase the after-tax proceeds thereof available for immediate distribution to the Company. Any Asset Disposition that results from the bona fide exercise by any governmental authority of its claimed or actual power of eminent domain need not comply with the provisions of clauses (i) and (ii) of Section 1015(a). Any Asset Disposition that results from a casualty loss need not comply with the provisions of clause (i) of Section 1015(a).

"Asset Sale" means the sale or other disposition by the Company, any of its Subsidiaries or any Joint Venture (other than to the Company, another Subsidiary of the Company or another Joint Venture) of (i) all or substantially all of the Capital Stock of any Subsidiary of the Company or any Joint Venture or (ii) all or substantially all of the Property that constitutes an operating unit or business of the Company, any of its Subsidiaries or any Joint Venture.

"Attributable Value" means, as to a Capitalized Lease Obligation under which any Person is at the time liable and at any date as of which the amount thereof is to be determined, the capitalized amount thereof that would appear on the face of a balance sheet of such Person in accordance with GAAP.

"Authenticating Agent" means any Person authorized by the Trustee pursuant

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to Section 614 hereof to act on behalf of the Trustee to authenticate Securities.

"Average Life" means, at any date of determination with respect to any Debt security or Preferred Stock, the quotient obtained by dividing (i) the sum of the product of (A) the number of years from such date of determination to the dates of each successive scheduled principal or involuntary liquidation value payment of such Debt security or Preferred Stock, respectively, multiplied by (B) the amount of such principal or involuntary liquidation value payment by (ii) the sum of all such principal or involuntary liquidation value payments.

"Board of Directors" means either the Board of Directors of the Company or any duly authorized committee of such Board .

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors (unless the context specifically requires that such resolution be adopted by a majority of the Disinterested Directors, in which case by a majority of such directors) and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day" means a day that, in the city (or in any of the cities, if more than one) where amounts are payable in respect of the Securities, is neither a legal holiday nor a day on which banking institutions are authorized or required by law, regulation or executive order to close.

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in, or interests (however designated) in, the equity of such Person that is outstanding or issued on or after the date of Indenture, including, without limitation, all Common Stock and Preferred Stock and partnership and joint venture interests in such Person.

"Capitalized Lease" means, as applied to any Person, any lease of any Property of which the discounted present value of the rental obligations of such Person as lessee, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person, and "Capitalized Lease Obligation" means the rental obligations, as aforesaid, under such lease.

"Cash Equivalent" means any of the following: (i) securities issued or directly and fully guaranteed or insured by the United States of America or any agency or instrumentality thereof (provided that the full faith and credit of the United States of America is pledged in support thereof), (ii) time deposits and certificates of deposit of any commercial bank organized in the United States having capital and surplus in excess of

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$500,000,000 or any commercial bank organized under the laws of any other country having total assets in excess of $500,000,000 with a maturity date not more than two years from the date of acquisition, (iii) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (i) or (v) that were entered into with any bank meeting the qualifications set forth in clause (ii) or another financial institution of national reputation, (iv) direct obligations issued by any state or other jurisdiction of the United States of America or any other country or any political subdivision or public instrumentality thereof maturing, or subject to tender at the option of the holder thereof, within 90 days after the date of acquisition thereof and, at the time of acquisition, having a rating of A from S&P or A-2 from Moody's (or, if at any time neither S&P nor Moody's may be rating such obligations, then from another nationally recognized rating service acceptable to the Trustee), (v) commercial paper issued by (a) the parent corporation of any commercial bank organized in the United States having capital and surplus in excess of $500,000,000 or any commercial bank organized under the laws of any other country having total assets in excess of $500,000,000, and (b) others having one of the two highest ratings obtainable from either S&P or Moody's (or, if at any time neither S&P nor Moody's may be rating such obligations, then from another nationally recognized rating service acceptable to the Trustee) and in each case maturing within one year after the date of acquisition, (vi) overnight bank deposits and bankers' acceptances at any commercial bank organized in the United States having capital and surplus in excess of $500,000,000 or any commercial bank organized under the laws of any other country having total assets in excess of $500,000,000, (vii) deposits available for withdrawal on demand with any commercial bank organized in the United States having capital and surplus in excess of $500,000,000 or any commercial bank organized under the laws of any other country having total assets in excess of $500,000,000, (viii) investments in money market funds substantially all of whose assets comprise securities of the types described in clauses (i) through (vi) and (ix), and (ix) auction rate securities or money market preferred stock having one of the two highest ratings obtainable from either S&P or Moody's

(or, if at any time neither S&P nor Moody's may be rating such obligations, then from another nationally recognized rating service acceptable to the Trustee).

"Change of Control" means the occurrence of one or more of the following events:

(i) for so long as at least $25 million principal amount of the Company's 5% Convertible Subordinated Debentures due July 1, 2000 remain outstanding and are not defeased, (x) a report is filed on Schedule 13D or 14D-1 (or any successor schedule, form or report) pursuant to the Exchange Act, disclosing that any person (for the purposes of this provision only, as the term "person" is used in Section 13(d)(3) or

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Section 14(d)(2) of the Exchange Act or any successor provision to either of the foregoing) has become the beneficial owner (as the term "beneficial owner" is defined under Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act) of 50% or more of the then outstanding shares of the Voting Stock of the Company and (y) such beneficial ownership is acquired by means of a tender offer in which cash is the sole consideration paid and the purchase price for each share tendered is less than the conversion price then in effect under the Company's 5% Convertible Subordinated Debentures due July 1, 2000; provided that a person shall not be deemed to be the beneficial owner of, or to own beneficially, any securities tendered until such tendered securities are accepted for purchase under the tender offer;

(ii) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), other than Kiewit, is or becomes the beneficial owner (as defined in clause (i) above), directly or indirectly, of more than 35% of the total voting power of the Voting Stock of the Company (for the purposes of this clause (ii), any person shall be deemed to beneficially own any Voting Stock of any corporation (the "specified corporation") held by any other corporation (the "parent corporation"), if such person "beneficially owns" (as so defined), directly or indirectly, more than 35% of the voting power of

the Voting Stock of such parent corporation) and Kiewit "beneficially owns" (as so defined), directly or indirectly, in the aggregate a lesser percentage of the voting power of the Voting Stock of the Company and does not have the right or ability by voting power, contract or otherwise to elect or designate for election a majority of the board of directors of the Company;

(iii) during any one-year period, individuals who at the beginning of such period constituted the Board of Directors of the Company (together with any new directors elected by such Board of Directors or nominated for election by the shareholders of the Company by a vote of at least a majority of the directors of the Company then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Directors then in office, unless a majority of such new directors were elected or appointed by Kiewit; or

(iv) the Company or its Restricted Subsidiaries sell, convey, assign, transfer, lease or otherwise dispose of all or substantially all the Property of the Company and the Restricted Subsidiaries taken as a whole;

provided that with respect to the foregoing subparagraphs (ii), (iii) and (iv),

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a Change of Control shall not be deemed to have occurred unless and until a Rating Decline has occurred as well.

"Common Stock" means with respect to any Person, Capital Stock of such Person that does not rank prior, as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation, dissolution or winding up of such Person, to shares of Capital Stock of any other class of such Person.

"Company" means the Person named as the "Company" in the first paragraph of this Indenture until a successor Person shall have become such pursuant to the applicable

provisions of this Indenture and thereafter "Company" shall mean such successor Person.

"Company Refinancing Debt" means Debt issued in exchange for, or the proceeds of which are used to refinance (including to purchase), outstanding Securities or other Debt of the Company Incurred pursuant to clauses (i), (iv), and (vii) of Section 1008(b) and Debt Incurred pursuant to Section 1008(a) in an amount (or, if such new Debt provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration thereof, with an original issue price) not to exceed the amount so exchanged or refinanced (plus accrued interest and all fees, premiums (in excess of the accreted value) and expenses related to such exchange or refinancing), for which purpose the amount so exchanged or refinanced shall be deemed to equal the lesser of (x) the principal amount of the Debt so exchanged or refinanced and (y) if the Debt being exchanged or refinanced was issued with an original issue discount, the accreted value thereof (as determined in accordance with GAAP) at the time of such exchange or refinancing, provided that (A) such Debt shall
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be subordinated in right of payment to the Securities at least to the same extent, if any, as the Debt so exchanged or refinanced is subordinated to the Securities, (B) such Debt shall be Non-Recourse if the Debt so exchanged or refinanced is Non-Recourse, (C) the Average Life of the new Debt shall be equal to or greater than the Average Life of the Debt to be exchanged or refinanced and (D) the final Stated Maturity of the new Debt shall not be sooner than the earlier of the final Stated Maturity of the Debt to be exchanged or refinanced or six months after the final Stated Maturity of the Securities, provided that if such new Debt refinances the Securities in part
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only, the final Stated Maturity of such new Debt must be at least six months after the final Stated Maturity of the Securities.

"Company Request" or "Company Order" means a written request or order signed in the name of the Company by its Chairman of the Board, its President or a Vice President, and by its Treasurer, an Assistant Treasurer, its Secretary or an Assistant Secretary, and delivered to the Trustee.

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"Consolidated EBITDA" of any Person for any period means the Adjusted Consolidated Net Income of such Person, plus, only to the extent deducted in computing Adjusted Consolidated Net Income and without duplication, (i) income taxes, excluding income taxes (either positive or negative) attributable to extraordinary and non-recurring gains or losses or Asset Sales, all determined on a consolidated basis for such Person and its consolidated Subsidiaries in accordance with GAAP, (ii) Consolidated Fixed Charges, (iii) depreciation and amortization expense, all determined on a consolidated basis for such Person and its consolidated Subsidiaries in accordance with GAAP and (iv) all other non-cash items reducing Adjusted Consolidated Net Income for such period, all determined on a consolidated basis for such Person and its consolidated Subsidiaries in accordance with GAAP, and less all non-cash items increasing Adjusted Consolidated Net Income during such period, provided that depreciation and amortization expense of any Subsidiary of such Person and any other non-cash item of any Subsidiary of such Person that reduces Adjusted Consolidated Net Income shall be excluded (without duplication) in computing Consolidated EBITDA, except to the extent that the positive cash flow associated with such depreciation and amortization expense and other non-cash items is actually distributed in cash to such Person during such period, provided further that as applied to the Company, cash in respect of depreciation and amortization and other non-cash items of Restricted Subsidiaries and Eligible Joint Ventures may be deemed to have been distributed or paid to the Company to the extent that such cash (I) is or was under the exclusive dominion and control of such Restricted Subsidiary or such Eligible Joint Venture and is free and clear of the Lien of any other Person, (II) is immediately available for distribution and (III) could be or could have been repatriated to the United States by means that are both lawful and commercially reasonable, provided that the amount of the cash deemed by this sentence to have been distributed or paid shall be reduced by the amount of tax that would have been payable with respect to the repatriation thereof, provided further that any cash that enables the recognition of depreciation and amortization and other non-cash items pursuant to this sentence may not be used to enable the recognition of depreciation and amortization and other non-cash items with respect to any prior or subsequent period, regardless of whether such cash is distributed to the Company, and provided further that the recognition of any depreciation and amortiza-

tion and other non-cash items as a result of this sentence shall be determined in good faith by the Chief Financial Officer, as evidenced by an Officers' Certificate that shall set forth in reasonable detail the relevant facts and assumptions supporting such recognition. When the "Person" referred to above

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is the Company, the foregoing references to "Subsidiaries" shall be deemed to refer to "Restricted Subsidiaries."

"Consolidated Fixed Charges" of any Person means, for any period, the aggregate of (i) Consolidated Interest Expense, (ii) the interest component of Capitalized Leases, determined on a consolidated basis for such Person and its consolidated Subsidiaries in accordance with GAAP, excluding any interest component of Capitalized Leases in respect of that portion of a Capitalized Lease Obligation of a Subsidiary that is Non-Recourse to such Person, and (iii) cash and non-cash dividends due (whether or not declared) on the Preferred Stock of any Subsidiary of such Person held by any Person other than such Person and any Redeemable Stock of such Person or any Subsidiary of such Person. When the "Person" referred to above is the Company, the foregoing references to "Subsidiaries" shall be deemed to refer to "Restricted Subsidiaries."

"Consolidated Interest Expense" of any Person means, for any period, the aggregate interest expense in respect of Debt (including amortization of original issue discount and non-cash interest payments or accruals) of such Person and its consolidated Subsidiaries, determined on a consolidated basis in accordance with GAAP, including all commissions, discounts, other fees and charges owed with respect to letters of credit and bankers' acceptance financing and net costs associated with Interest Rate Protection Agreements and Currency Protection Agreements and any amounts paid during such period in respect of such interest expense, commissions, discounts, other fees and charges that have been capitalized, provided that Consolidated Interest Expense of the Company shall
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not include any interest expense (including all commissions,

discounts, other fees and charges owed with respect to letters of credit and bankers' acceptance financing and net costs associated with Interest Rate Protection Agreements or Currency Protection Agreements) in respect of that portion of any Debt that is Non-Recourse, and provided further that
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Consolidated Interest Expense of the Company in respect of a Guarantee by the Company of Debt of another Person shall be equal to the commissions, discounts, other fees and charges that would be due with respect to a hypothetical letter of credit issued under a bank credit agreement that can be drawn by the beneficiary thereof in the amount of the Debt so guaranteed if (i) the Company is not actually making directly or indirectly interest payments on such Debt and (ii) GAAP does not require the Company on an unconsolidated basis to record such Debt as a liability of the Company. When the "Person" referred to above is the Company, the foregoing references to "Subsidiaries" shall be deemed to refer to "Restricted Subsidiaries."

"Construction Financing" means the debt and/or equity financing provided (over and above the owners' equity investment) to permit the acquisition,

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development, design, engineering, procurement, construction and equipping of a Permitted Facility and to enable it to commence commercial operations, provided that Construction Financing may remain outstanding after the commencement of commercial operations of a Permitted Facility, without any increase in the amount of such financing, and such Construction Financing shall not cease to be Construction Financing.

"Corporate Trust Office" means the principal office of the Trustee at which at any particular time its corporate trust business shall be administered, which address as of the date of this Indenture is located at One State Street, New York, New York 10004.

"Currency Protection Agreement" means, with respect to any Person, any foreign exchange contract, currency swap agreement or other similar agreement or arrangement

intended to protect such Person against fluctuations in currency values to or under which such Person is a party or a beneficiary on the date of this Indenture or becomes a party or a beneficiary thereafter.

"Debt" means, with respect to any Person, at any date of determination (without duplication), (i) all indebtedness of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person in respect of letters of credit, bankers' acceptances, surety, bid, operating and performance bonds, performance guarantees or other similar instruments or obligations (or reimbursement obligations with respect thereto) (except, in each case, to the extent incurred in the ordinary course of business), (iv) all obligations of such Person to pay the deferred purchase price of property or services, except Trade Payables, (v) the Attributable Value of all obligations of such Person as lessee under Capitalized Leases, (vi) all Debt of others secured by a Lien on any Property of such Person, whether or not such Debt is assumed by such Person, provided that, for purposes of determining the amount of any Debt of the type described in this clause, if recourse with respect to such Debt is limited to such Property, the amount of such Debt shall be limited to the lesser of the fair market value of such Property or the amount of such Debt, (vii) all Debt of others Guaranteed by such Person to the extent such Debt is Guaranteed by such Person, (viii) all Redeemable Stock valued at the greater of its voluntary or involuntary liquidation preference plus accrued and unpaid dividends and (ix) to the extent not otherwise included in this definition, all net obligations of such Person under Currency Protection Agreements and Interest Rate Protection Agreements.

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For purposes of determining any particular amount of Debt that is or would be outstanding, Guarantees of, or obligations with respect to letters of credit or similar instruments supporting (to the extent the foregoing constitutes Debt), Debt otherwise included in the determination of such particular amount shall not be included. For purposes of determining compliance with this Indenture, in the event that an item of Debt meets the criteria of more than one of the types of Debt described in

the above clauses, the Company, in its sole discretion, shall classify such item of Debt and only be required to include the amount and type of such Debt in one of such clauses.

"Default" means any event that is, or after notice or passage of time, or both, would be, an Event of Default.

"Default Amount" means, prior to January 15, 1997, the Accreted Value, and from and including January 15, 1997, the principal amount plus accrued interest.

"Disinterested Director" means, with respect to any proposed transaction between the Company , a Restricted Subsidiary of the Company or an Eligible Joint Venture, as applicable, and an Affiliate thereof, a member of the Board of Directors who is not an officer or employee of the Company, a Restricted Subsidiary of the Company or an Eligible Joint Venture, as applicable, would not be a party to, or have a financial interest in, such transaction and is not an officer, director or employee of, and does not have a financial interest in, such Affiliate. For purposes of this definition, no person would be deemed not to be a Disinterested Director solely because such person holds Capital Stock of the Company.

"Eligible Joint Venture" means a Joint Venture (other than a Subsidiary) (i) that is or shall be formed with respect to the construction, development, acquisition, servicing, ownership, operation or management of one or more Permitted Facilities and (ii) in which the Company and Kiewit together, directly or indirectly, own at least 50% of the Capital Stock therein (of which the Company must own at least half (in any event not less than 25% of the total outstanding Capital Stock)) and (iii) in respect of which the Company alone or in combination with Kiewit, directly or indirectly, (a) controls, by voting power, board or management committee membership, or through the provisions of any applicable partnership, shareholder or other similar agreement or under an operating, maintenance or management agreement or otherwise, the management and operation of the Joint Venture or any Permitted Facilities of the Joint Venture or (b) otherwise has significant influence over the

management or operation of the Joint Venture or any Permitted Facility of the

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Joint Venture in all material respects (significant influence includes, without limitation, the right to control or veto any material act or decision) in connection with such management or operation. Any Joint Venture that is an Eligible Joint Venture pursuant to this definition because of the ownership of Capital Stock therein by Kiewit shall cease to be an Eligible Joint Venture if (x) Kiewit disposes of any securities issued by the Company and, as a result of such disposition, Kiewit becomes the beneficial owner (as such term is defined under Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act) of less than 25% of the outstanding shares of Voting Stock of the Company or (y) (I) as a result of any action other than a disposition of securities by Kiewit, Kiewit becomes the beneficial owner of less than 25% of the outstanding shares of Voting Stock of the Company and (II) thereafter Kiewit disposes of any securities issued by the Company as a result of which the beneficial ownership by Kiewit of the outstanding Voting Stock of the Company is further reduced, provided that thereafter such Joint Venture may
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become an Eligible Joint Venture if Kiewit becomes the beneficial owner of at least 25% of the outstanding shares of Voting Stock of the Company and the other conditions set forth in this definition are fulfilled.

"Exchange Act" refers to the Securities Exchange Act of 1934 and any statute successor thereto, in each case as amended from time to time.

"Fixed Charge Ratio" means the ratio, on a pro forma basis, of (i) the aggregate amount of Consolidated EBITDA of any Person for the Reference Period immediately prior to the date of the transaction giving rise to the need to calculate the Fixed Charge Ratio (the "Transaction Date") to (ii) the aggregate Consolidated Fixed Charges of such Person during such Reference Period, provided
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that for purposes of such computation, in calculating Consolidated EBITDA and Consolidated Fixed Charges, (1) the Incurrence of the Debt giving rise to the need to calculate the Fixed Charge Ratio and the application of the proceeds

therefrom (including the retirement or defeasance of Debt) shall be assumed to have occurred on the first day of the Reference Period, (2) Asset Sales and Asset Acquisitions that occur during the Reference Period or subsequent to the Reference Period and prior to the Transaction Date (but including any Asset Acquisition to be made with the Debt Incurred pursuant to (1) above) and any related retirement of Debt pursuant to an Offer to Purchase (in the amount of the Excess Proceeds with respect to which such Offer to Purchase has been made or would be made on the Transaction Date if the purchase of Securities pursuant to such Offer to Purchase has not occurred on or before the Transaction Date) shall be assumed to have occurred on the first day of the Reference Period, (3) the Incurrence of any Debt during the Reference Period or subsequent to the Reference Period and prior to the Transaction Date and the application of the proceeds therefrom (including the retirement or defeasance of other Debt) shall be assumed to have occurred on the first day

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of such Reference Period, (4) Consolidated Interest Expense attributable to any Debt (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the date of computation had been the applicable rate for the entire period unless the obligor on such Debt is a party to an Interest Rate Protection Agreement (that shall remain in effect for the twelve month period after the Transaction Date) that has the effect of fixing the interest rate on the date of computation, in which case such rate (whether higher or lower) shall be used and (5) there shall be excluded from Consolidated Fixed Charges any Consolidated Fixed Charges related to any amount of Debt that was outstanding during or subsequent to the Reference Period but is not outstanding on the Transaction Date, except for Consolidated Fixed Charges actually incurred with respect to Debt borrowed (as adjusted pursuant to clause (4)) (x) under a revolving credit or similar arrangement to the extent the commitment thereunder remains in effect on the Transaction Date or (y) pursuant to the provision described in clause (iii) of Section 1008(b). For the purpose of making this computation, Asset Sales and Asset Acquisitions that have been made by any Person that has become a Restricted Subsidiary of the Company or an Eligible Joint Venture or been merged with or into the Company or any

Restricted Subsidiary of the Company or an Eligible Joint Venture during the Reference Period, or subsequent to the Reference Period and prior to the Transaction Date shall be calculated on a pro forma basis, as shall be all the transactions contemplated by the calculations referred to in clauses (1) through (5) above with respect to the Persons or businesses that were the subject of such Asset Sales and Asset Dispositions, assuming such Asset Sales or Asset Acquisitions occurred on the first day of the Reference Period.

"Foreign Asset Disposition" means an Asset Disposition in respect of the Capital Stock or Property of a Restricted Subsidiary of the Company or an Eligible Joint Venture to the extent that the proceeds of such Asset Disposition are received by a Person subject in respect of such proceeds to the tax laws of a jurisdiction other than the United States of America or any State thereof or the District of Columbia.

"GAAP" means generally accepted accounting principles in the U.S. as in effect as of the date of this Indenture, applied on a basis consistent with the principles, methods, procedures and practices employed in the preparation of the Company's audited financial statements, including, without limitation, those set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as approved by a significant segment of the accounting profession.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Debt of any other Person and, without limiting the generality of the foregoing, any Debt obligation, direct or

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indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt of such other Person (whether arising by virtue of partner ship arrangements (other than solely by reason of being a general partner of a partnership), or by agreement to keep-well, to purchase assets, goods, securities or services, or to take-or-pay, or to maintain financial statement

conditions or otherwise) or (ii) entered into for purposes of assuring in any other manner the obligee of such Debt of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), provided that the term "Guarantee" shall not include endorsements for collection - --------
or deposit in the ordinary course of business or the grant of a Lien in connection with any Non-Recourse Debt. The term "Guarantee" used as a verb has a corresponding meaning.

"Holder," "holder of Securities," "Securityholder" and other similar terms are defined to mean the registered holder of any Security.

"Incur" means with respect to any Debt, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Debt, provided
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that neither the accrual of interest (whether such interest is payable in cash or kind) nor the accretion of original issue discount shall be considered an Incurrence of Debt. The term "Incurrence" has a corresponding meaning.

"Indenture" means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof, including, for all purposes of this instrument and any such supplemental indenture, the provisions of the Trust Indenture Act that are deemed to be a part of and govern this instrument and any such supplemental indenture, respectively.

"Interest Payment Date" means the Stated Maturity of an installment of interest on the Securities.

"Interest Rate Protection Agreement" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement intended to protect such Person against fluctuations in interest rates to or under which such

Person or any of its Subsidiaries is a party or a beneficiary on the date of this Indenture or becomes a party or a beneficiary thereafter.

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"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended.

"Investment" in a Person means any investment in, loan or advance to, Guarantee on behalf of, directly or indirectly, or other transfer of assets to such Person (other than sales of products and services in the ordinary course of business).

"Investment Grade" means with respect to the Securities, (i) in the case of S&P, a rating of at least BBB--, (ii) in the case of Moody's, a rating of at least Baa3, and (iii) in the case of a Rating Agency other than S&P or Moody's, the equivalent rating, or in each case, any successor, replacement or equivalent definition as promulgated by S&P, Moody's or other Rating Agency as the case may be.

"Issue Date" means the date on which the Securities are first authenticated and delivered under the Indenture.

"Joint Venture" means a joint venture, partnership or other similar arrangement, whether in corporate, partnership or other legal form.

"Kiewit" means and includes Kiewit Energy Company and any other Subsidiary of Peter Kiewit Sons', Inc., Kiewit Construction Group Inc. or Kiewit Diversified Group, Inc.

"Lien" means, with respect to any Property, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such Property, but shall not include any partnership, joint venture, shareholder, voting trust or other similar governance agreement with respect to Capital Stock in a Subsidiary or Joint Venture. For purposes of this Indenture, the Company shall be deemed to own subject to a Lien any Property that it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale

agreement, capital lease or other title retention agreement relating to such Property.

"Moody's" means Moody's Investors Services, Inc.

"Net Cash Proceeds" from an Asset Disposition means cash payments received (including any cash payments received by way of a payment of principal pursuant to a note or installment receivable or otherwise, but only as and when received (including any cash received upon sale or disposition of any such note or receivable), excluding any other consideration received in the form of assumption by the acquiring Person of Debt or other obligations relating to the Property disposed of in such Asset Disposition or received in any form other than cash) therefrom, in each case, net of (i) all legal, title and recording tax expenses, commissions and other fees and expenses of any kind (including consent and waiver fees and any applicable premiums, earn-out or working

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interest payments or payments in lieu or in termination thereof) incurred, (ii) all federal, state, provincial, foreign and local taxes and other governmental charges required to be accrued as a liability under GAAP (a) as a consequence of such Asset Disposition, (b) as a result of the repayment of any Debt in any jurisdiction other than the jurisdiction where the Property disposed of was located or (c) as a result of any repatriation of any proceeds of such Asset Disposition, (iii) a reasonable reserve for the after-tax cost of any indemnification payments (fixed and contingent) attributable to seller's indemnities to the purchaser undertaken by the Company, any of its Restricted Subsidiaries or any Eligible Joint Venture in connection with such Asset Disposition (but excluding any payments that by the terms of the indemnities shall not, under any circumstances, be made during the term of the Securities), (iv) all payments made on any Debt that is secured by such Property, in accordance with the terms of any Lien upon or with respect to such Property, or that must by its terms or by applicable law or in order to obtain a required consent or waiver be repaid out of the proceeds from or in connection with such Asset Disposition, and (v) all distributions and other payments made to holders of Capital Stock of Restricted Subsidiaries or Eligible Joint Ventures (other than the Company or its

Restricted Subsidiaries) as a result of such Asset Disposition.

"Net Income" of any Person for any period means the net income (loss) of such Person for such period, determined in accordance with GAAP, except that extraordinary and non-recurring gains and losses as determined in accordance with GAAP shall be excluded.

"Net Worth" of any Person means, as of any date, the aggregate of capital, surplus and retained earnings (including any cumulative currency translation adjustment) of such Person and its consolidated Subsidiaries as would be shown on a consolidated balance sheet of such Person and its consolidated Subsidiaries prepared as of such date in accordance with GAAP. When the "Person" referred to above is the Company, the foregoing references to "Subsidiaries" will be deemed to refer to "Restricted Subsidiaries."

"Non-Recourse", as applied to any Debt or any sale-leaseback, means any project financing that is or was Incurred with respect to the development, acquisition, design, engineering, procurement, construction, operation, ownership, servicing or management of one Permitted Facility (or two or more Permitted Facilities that are operated in the form of a single business and as one technological unit), provided that such financing is without recourse to
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the Company, any Restricted Subsidiary or any Eligible Joint Venture other than any Restricted Subsidiary or any Eligible Joint Venture that does not own any Property other than such Permitted Facility or a direct or indirect interest therein, provided further that such financing may be secured by a Lien on only
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(i) the Property that constitutes such Permitted Facility, (ii) the income from and proceeds of such Permitted Facility, (iii) the Capital Stock of the Restricted Subsidiary or Eligible Joint Venture that owns the Property that

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constitutes such Permitted Facility and (iv) the Capital Stock of the Restricted Subsidiary or Eligible Joint Venture obligated with respect to such financing and of any Subsidiary or Joint Venture (that is a Restricted Subsidiary or an Eligible Joint Venture) of such Person that owns a direct or indirect interest in the Permitted Facility, and provided further that an

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increase in the amount of Debt with respect to a Permitted Facility pursuant to the financing provided pursuant to the terms of this definition (except for the first refinancing of Construction Financing) may not be Incurred to fund or enable the funding of any dividend or other distribution in respect of Capital Stock. The fact that a portion of financing with respect to a Permitted Facility is not Non-Recourse shall not prevent other portions of the financing with

respect to such Permitted Facility from constituting Non-Recourse Debt if the foregoing requirements of this definition are fulfilled with respect to such other portions. Notwithstanding anything in this definition to the contrary, (i) Non-Recourse Debt in respect of any Permitted Facility that uses thermal energy drawn from a single localized geothermal reservoir may be cross-collateralized with the Property, income, proceeds and Capital Stock in respect of any other Permitted Facility that uses thermal energy drawn from the same localized geothermal reservoir, (ii) Acquired Debt of a Person that was Incurred with respect to, and that is jointly secured by, two or more Permitted Facilities (all of which need not use thermal energy drawn from the same localized geothermal reservoir) (and other Property related to such Permitted Facilities) shall be deemed to be Non-Recourse if, upon such Person becoming a Restricted Subsidiary or an Eligible Joint Venture, such Acquired Debt would fulfill the requirements of the first sentence of this definition if such Permitted Facilities constituted a single Permitted Facility and (iii) for the purpose of this Indenture, (a) the Permitted Facilities that jointly secure a single Non-Recourse Debt pursuant to clause (i) of this sentence shall be deemed to be a single Permitted Facility and (b) the Permitted Facilities that jointly secure a single Acquired Debt shall be deemed to be a single Permitted Facility.

"Offer to Purchase" means, as appropriate, a Change of Control Offer pursuant to Section 1013 or an Excess Proceeds Offer pursuant to Section 1015.

"Officers' Certificate" means a certificate signed by the Chairman of the Board of Directors , the President or any Vice President and by the Chief Financial Officer , the Treasurer, an Assistant Treasurer, the Controller, the Assistant Controller, the Secretary or any Assistant Secretary of the Company and delivered to the Trustee. Each such certificate shall comply with Section 314 of the Trust Indenture Act and include the statements provided for in this Indenture if and to the extent required thereby.

"Opinion of Counsel" means an opinion in writing signed by legal counsel who may be an employee of or

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counsel to the Company or who may be other counsel satisfactory to the Trustee. Each such opinion shall comply with Section 314 of the Trust Indenture Act and include the statements provided for in this Indenture, if and to the extent required thereby.

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

(i) Securities theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(ii) Securities that have come due or that are to be called for redemption, for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company or a Restricted Subsidiary) in trust for the Holders of such Securities; provided that if such Securities are to be
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redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision for giving such notice within 10 days of such date of determination satisfactory to the Trustee, has been made;

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

(iv) Securities as to which Defeasance has been effected pursuant to Section 1202;

provided that in determining whether the Holders of the requisite principal
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amount of the Outstanding Securities have given, made or taken any request, demand, authorization, direction, notice, consent, waiver or other action hereunder as of any date, Securities owned by the Company

or any other obligor upon the Securities or any Affiliate or Restricted Subsidiary of the Company or of such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent, waiver or other action, only Securities which the

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Trustee knows to be so owned shall be so disregarded, Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Restricted Subsidiary of the Company or any Affiliate of the Company or of such other obligor.

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

"Permitted Facility" means (i) an electric power or thermal energy generation or cogeneration facility or related facilities (including residual waste management and facilities that use thermal energy from a cogeneration facility), and its or their related electric power transmission, fuel supply and fuel transportation facilities, together with its or their related power supply, thermal energy and fuel contracts and other facilities, services or goods that are ancillary, incidental, necessary or reasonably related to the marketing, development, construction, management, servicing, ownership or operation of the foregoing, owned by a utility or otherwise, as well as other contractual arrangements with customers, suppliers and contractors or (ii) any infrastructure facilities related to (A) the treatment of water for municipal and other uses, (B) the treatment and/or management of waste water, (C) the treatment, management and/or remediation of waste, pollution and/or potential pollutants and (D) any other process or environmental purpose.

"Permitted Funding Company Loans" means (a) Debt of a Restricted Subsidiary, all the Capital Stock of which is owned, directly or indirectly by the Company and that (x) does not own any direct or indirect interest in

a Permitted Facility and (y) is not directly or indirectly obligated on any Debt owed to any Person other than the Company, a Restricted Subsidiary or an Eligible Joint Venture (a "Funding Company"), owed to a Restricted Subsidiary or an Eligible Joint Venture that is not directly or indirectly obligated on any Debt owed to any Person other than the Company, a Restricted Subsidiary or an Eligible Joint Venture (a "Holding Company"), provided that such Debt (i) does
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not require that interest be paid in cash at any time sooner than six months after the final Stated Maturity of the Securities, (ii) does not require any payment of principal at any time sooner than six months after the final Stated Maturity of the Securities, (iii) is subordinated in right of payment to all other Debt of such Restricted Subsidiary other than Debt Incurred pursuant to clause (vii) of Section 1009(b), all of which shall be pari passu, (iv) does not
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contain any events of default or acceleration provisions that are applicable at any time sooner than six months after the final Stated Maturity of the Securities and (v) is evidenced by a subordinated note in the form attached to the Indenture as Exhibit A, and (b) Debt of a Holding Company to a Funding Company.

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"Permitted Investment" means any Investment that is made directly or indirectly by the Company and its Restricted Subsidiaries in (i) a Restricted Subsidiary or Eligible Joint Venture (excluding for the purpose of this clause (i) any Construction Financing) that, directly or indirectly, is or shall be engaged in the construction, development, acquisition, operation, servicing, ownership or management of a Permitted Facility or in any other Person as a result of which such other Person becomes such a Restricted Subsidiary or an Eligible Joint Venture, provided that at the time that any of the foregoing Investments is proposed to be made, no Event of Default or event that, after giving notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing, (ii) Construction Financing provided by the Company (A) to any of its Restricted Subsidiaries (other than an Eligible Joint Venture) up to 100% of the Construction Financing required by such Restricted Subsidiary and (B) to any Eligible Joint Venture a portion of the Construction Financing required by such Eligible Joint Venture that does not exceed the

ratio of the Capital Stock in such Eligible Joint Venture that is owned directly or indirectly by the Company to the total amount of the Capital Stock in such Eligible Joint Venture that is owned directly and indirectly by the Company and Kiewit together (provided that the Company may provide such
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Construction Financing to such Eligible Joint Venture only if Kiewit provides the balance of such Construction Financing or otherwise causes it to be provided), if, in either case, (x) the aggregate proceeds of all the Construction Financing provided is not more than 85% of the sum of the aggregate proceeds of such Construction Financing and the aggregate owners' equity investment in such Restricted Subsidiary or such Eligible Joint Venture, as the case may be, (y) the Company receives a pledge or assignment of all the Capital Stock of such Restricted Subsidiary or such Eligible Joint Venture, as the case may be, that is owned by non-governmental Person (other than the Company, its Subsidiaries or the Eligible Joint Ventures) that is permitted to be pledged for such purpose under applicable law and (z) neither the Company nor Kiewit reduces its beneficial ownership in such Restricted Subsidiary or such Eligible Joint Venture, as the case may be, prior to the repayment in full of the Company's portion of the Construction Financing, (iii) any Cash Equivalents, (iv) prepaid expenses, negotiable instruments held for collection and lease, utility and workers' compensation, performance and other similar deposits in the ordinary course of business consistent with past practice, (v) loans and advances to employees made in the ordinary course of business and consistent with past practice, (vi) Debt incurred pursuant to Currency Protection Agreements and Interest Rate Protection Agreements as otherwise permitted by this Indenture, (vii) bonds, notes, debentures or other debt securities and instruments received as a result of Asset Dispositions to the extent permitted by Sections 1015 and 1022, (viii) any Lien permitted under Section 1012 and (ix) bank deposits and other Investments (to the extent they do not constitute Cash Equivalents) required by lenders in connection

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with any Non-Recourse Debt, provided that the President or the Chief Financial
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Officer of the Company determines in good faith, as evidenced by an Officers' Certificate, that such bank deposits or Investments are required to effect such financings and are not materially more restrictive, taken as a whole,

than comparable requirements in comparable financings in the applicable jurisdiction.

"Permitted Joint Venture" means a Joint Venture (i) that is or shall be formed with respect to the construction, development, acquisition, servicing, ownership, operation or management of one or more Permitted Facilities and (ii) in which (A) the Company or (B) the Company and Kiewit together, directly or indirectly, own at least 70% of the Capital Stock therein (of which the Company must own at least half (in any event not less than 35% of the total outstanding Capital Stock)), provided that if applicable non-U.S. law restricts the amount
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of Capital Stock that the Company may own, the Company must own at least 70% of the amount of Capital Stock that it may own pursuant to such law, which in any event must be not less than 35% of the total outstanding Capital Stock therein and (iii) in respect of which the Company alone or in combination with Kiewit, directly or indirectly, (a) controls, by voting power, board or management committee membership, or through the provisions of any applicable partnership, shareholder or other similar agreement or under an operating, maintenance or management agreement or otherwise, the management and operation of the Joint Venture or any Permitted Facilities of the Joint Venture or (b) otherwise has significant influence over the management or operation of the Joint Venture or any Permitted Facility of the Joint Venture in all material respects (significant influence includes, without limitation, the right to control or veto any material act or decision) in connection with such management or operation. Any Joint Venture that is a Permitted Joint Venture pursuant to this definition because of the ownership of Capital Stock therein by Kiewit shall cease to be a Permitted Joint Venture if (x) Kiewit disposes of any securities issued by the Company and, as a result of such disposition, Kiewit becomes the beneficial owner (as such term is defined under Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act) of less than 25% of the outstanding shares of Voting Stock of the Company or (y) (I) as a result of any action other than a disposition of securities by Kiewit, Kiewit becomes the beneficial owner of less than 25% of the outstanding shares of Voting Stock of the Company and (II) thereafter Kiewit disposes of any securities

issued by the Company as a result of which the beneficial ownership by Kiewit of the outstanding Voting Stock of the Company is further reduced, provided
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that thereafter such Joint Venture may a Permitted Joint Venture if Kiewit becomes the beneficial owner of at least 25% of the outstanding shares of the Voting Stock of the Company and the other conditions set forth in this definition are fulfilled.

"Permitted Payments" means, with respect to the Company, any of its Restricted Subsidiaries or any Eligible Joint Venture, (i) any dividend on shares of Capital Stock of the Company payable (or to the extent paid) solely in Capital Stock (other than Redeemable Stock) or in options, warrants or other rights to purchase Capital Stock (other than Redeemable Stock) of the Company and any distribution of Capital Stock (other than Redeemable Capital Stock) of the Company in respect of the exercise of any right to convert or exchange any instrument (whether Debt or equity and including Redeemable Capital Stock) into Capital Stock (other than Redeemable Capital Stock) of the Company, (ii) the purchase or other acquisition or retirement for value of any shares of the Company's Capital Stock, or any option, warrant or other right to purchase shares of the Company's Capital Stock with additional shares of, or out of the proceeds of a substantially contemporaneous issuance of, Capital Stock other than Redeemable Stock, (iii) any defeasance, redemption, purchase or other acquisition for value of any Debt that by its terms ranks subordinate in right of payment to the Securities with the proceeds from the issuance of (x) Debt that is subordinate to the Securities at least to the extent and in the manner as the Debt to be defeased, redeemed, purchased or otherwise acquired is subordinate in right of payment to the Securities, provided that such subordinated Debt provides for no mandatory payments of principal by way of sinking fund, mandatory redemption or otherwise (including defeasance) by the Company (including, without limitation, at the option of the holder thereof other than an option given to a holder pursuant to a "change of control" or an "asset disposition" covenant that is no more favorable to the holders of such Debt than comparable covenants for the Debt being defeased, redeemed, purchased or acquired or, if none, Sections 1013 and 1015

and such Debt is not in an amount (net of any original issue discount) greater than, any Stated Maturity of the Debt being replaced and the proceeds of such subordinated Debt are utilized for such purpose within 45 days of issuance or (y) Capital Stock (other than Redeemable Stock), (iv) Restricted Payments in an amount not to exceed $50 million in the aggregate provided that no payment
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may be made pursuant to this clause (iv) if an Event of Default, or an event that, after giving notice or lapse of time or both, would become an Event of Default, has occurred and is continuing, (v) any payment or Investment required by applicable law in order to conduct business operations in the ordinary course, (vi) a Permitted Investment and (vii) Investments in Unrestricted Subsidiaries and other Persons that are not Restricted Subsidiaries or Eligible Joint Ventures in an amount not to exceed $50 million in the aggregate, provided that no payment or Investment may be made pursuant
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to this clause (vii) if an Event of Default, or an event that, after giving notice or lapse of time or both, would become an Event of Default, has

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occurred and is continuing. Notwithstanding the foregoing, the amount of Investments that may be made pursuant to clauses (iv) and (vii), as the case may be, may be increased by the net reduction in Investments of the type made previously pursuant to clauses (iv) and (vii), as the case may be, that result from payments of interest on Debt, dividends, or repayment of loans or advances, the proceeds of the sale or disposition of the Investment or other return of the amount of the original Investment to the Company, the Restricted Subsidiary or the Eligible Joint Venture that made the original Investment from the Person in which such Investment was made or any distribution or payment of such Investment to the extent that such distribution or payment constituted either a Restricted Payment or a Permitted Payment, provided that
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(x) the aggregate amount of such payments shall not exceed the amount of the original Investment by the Company, such Restricted Subsidiary or Eligible Joint Venture that reduced the amount available pursuant to clause (iv) or clause (vii), as the case may be, for making Restricted Payments and (y) such payments may be added pursuant to this proviso only to the extent such payments are not included in the calculation of Adjusted Consolidated Net Income.

"Permitted Working Capital Facilities" means one or more loan or credit agreements providing for the extension of credit to the Company for the Company's working capital purposes, which credit agreements shall be ranked pari
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passu with or subordinate to the Securities in right of payment and may be
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secured or unsecured.

"Person" means an individual, a corporation, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

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

"Preferred Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) or preferred or preference stock of such Person that is outstanding or issued on or after the Issue Date of the Securities.

"Property" of any Person means all types of real, personal, tangible or mixed property owned by such Person whether or not included in the most recent consolidated balance sheet of such Person under GAAP.

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"Purchase Date" means, as appropriate, the Change of Control Purchase Date under Section 1013 or the Excess Proceeds Purchase Date under Section 1015.

"Purchase Money Debt" means Debt representing, or Incurred to finance, the cost of acquiring any Property, provided that (i) any Lien securing such Debt
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does not extend to or cover any other Property other than the Property being acquired and (ii) such Debt is incurred, and any Lien with respect thereto is granted, within 180 days of the acquisition of such Property.

"Rating Agencies" means (i) S&P and (ii) Moody's or (iii) if S&P or Moody's or both do not make a rating of the Securities publicly available, a nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P, Moody's or both, as the case may be.

"Rating Category" means (i) with respect to S&P, any of the following categories: BB, B, CCC, CC, C and D (or equivalent successor categories), (ii) with respect to Moody's, any of the following categories: Ba, B, Caa, Ca, C and D (or equivalent successor categories) and (iii) the equivalent of any such category of S&P or Moody's used by another Rating Agency. In determining whether the rating of the Securities has decreased by one or more gradations, gradations within Rating Categories (+ and - for S&P, 1, 2 and 3 for Moody's or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from BB+ to BB, as well as from BB- to B+, shall constitute a decrease of one gradation).

"Rating Decline" means the occurrence of the following on, or within 90 days after, the earlier of (i) the occurrence of a Change of Control and (ii) the date of public notice of the occurrence of a Change of Control or of the public notice of the intention of the Company to effect a Change of Control (the "Rating Date") which period shall be extended so long as the rating of the Securities is under publicly announced consideration for possible downgrading by any of the Rating Agencies): (a) in the event that the Securities are rated by either Rating Agency on the Rating Date as Investment Grade, the rating of the Securities by both such Rating Agencies shall be reduced below Investment Grade, or (b) in the event the Securities are rated below Investment Grade by both such Rating Agencies on the Rating Date, the rating of the Securities by either Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

"Redeemable Stock" means any class or series of Capital Stock of any Person that by its terms or otherwise is (i) required to be redeemed prior to the

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Stated Maturity of the Securities, (ii) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the Stated Maturity of the Securities or (iii) convertible into or exchangeable for Capital Stock referred to in clause (i) or (ii) above or Debt having a scheduled maturity prior to the Stated Maturity of the Securities, provided that any
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Capital Stock that would not constitute Redeemable Stock but for provisions thereof giving holders thereof the right to require the Company to purchase or redeem such Capital Stock upon the occurrence of an "asset sale" or a "change of control" occurring prior to the Stated Maturity of the Securities shall not constitute Redeemable Stock if the "asset sale" or "change of control" provision applicable to such Capital Stock is no more favorable to the holders of such Capital Stock than the provisions contained in Section 1013 and 1015 and such Capital Stock specifically provides that the Company shall not purchase or redeem any such Capital Stock pursuant to such covenants prior to the Company's purchase of Securities required to be repurchased by the Company under Sections 1013 and 1015.

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

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

"Reference Period" means the four most recently completed fiscal quarters for which financial information is available preceding the date of a transaction giving rise to the need to make a financial calculation.

"Regular Record Date", for the interest payable on any Interest Payment Date means the January 1 or July 1 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date.

"Responsible Officer", when used with respect to the Trustee, means the chairman or any vice chairman of the board of directors, the chairman or any vice-chairman of the executive committee of the board of directors, the chairman of the trust committee, the president, any vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any trust officer or assistant trust officer, the controller or any assistant controller or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Restricted Payment" means (i) any dividend or other distribution on any shares of the Company's Capital Stock, provided that a dividend or other
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distribution consisting of the Capital Stock of an Unrestricted Subsidiary shall not constitute a Restricted Payment except to the extent of the portion thereof that is equal to the portion of the total Investment in such Unrestricted

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Subsidiary that is represented by the Investment that was made pursuant to clause (vii) of the definition of "Permitted Payment," (ii) any payment on account of the purchase, redemption, retirement or acquisition for value of the Company's Capital Stock, (iii) any defeasance, redemption, purchase or other acquisition or retirement for value prior to the scheduled maturity of any Debt ranked subordinate in right of payment to the Securities other than repayment of Debt of the Company to a Restricted Subsidiary or an Eligible Joint Venture, (iv) any Investment made in a Person (other than the Company or any Restricted Subsidiary or any Eligible Joint Venture) and (v) designating a Restricted Subsidiary as an Unrestricted Subsidiary (the Restricted Payment made upon such a designation to be determined as the fair market value of the Capital Stock of such Restricted Subsidiary owned directly or indirectly by the Company at the time of the designation, but in no event less than the amount of the Investment made in such Restricted Subsidiary directly or indirectly by the Company). Notwithstanding the foregoing, "Restricted Payment" shall not include any Permitted Payment, except that any pay-

ment made pursuant to clauses (iv) and (v) of the definition of "Permitted Payment" shall be counted in the calculation set forth in clause (c) of Section 1010(a).

"Restricted Subsidiary" means any Subsidiary of the Company that is not an Unrestricted Subsidiary.

"S&P" means Standard & Poor's Corporation.

"Securities" means securities designated in the first paragraph of the RECITALS OF THE COMPANY.

"Securities Act" means the Securities Act of 1933 and any statute successor thereto, in each case as amended from time to time.

"Senior Debt" means the principal of and interest on all Debt of the Company whether created, Incurred or assumed before, on or after the Issue Date of the Securities (other than the Securities), provided that Senior Debt shall
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not include (i) Debt that, when Incurred and without respect to any election under Section 1111(b) of Title 11, United States Code, was without recourse to the Company, (ii) Debt of the Company to any Affiliate and (iii) any Debt of the Company that, by the terms of the instrument creating or evidencing the same, is specifically designated as being junior in right of payment to the Securities or any other Debt of the Company.

"Significant Subsidiary" means a Restricted Subsidiary that is a "significant subsidiary" as defined in Rule 1-02(v) of Regulation S-X under the Securities Act and the Exchange Act.

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

"Stated Maturity" means, with respect to any debt security or any installment of interest thereon, the date specified in such debt security as the fixed date on

which any principal of such debt security or any such installment of interest is due and payable.

"Subsidiary" means, with respect to any Person including, without limitation, the Company and its Subsidiaries, (i) any corporation or other entity of which such Person owns, directly or indirectly, a majority of the Capital Stock or other ownership interests and has ordinary voting power to elect a majority of the board of directors or other persons performing similar functions, and (ii) with respect to the Company and, as appropriate, its Subsidiaries, any Permitted Joint Venture, including, without limitation, Coso Land Company Joint Venture, Coso Finance Partners, Coso Energy Developers and Coso Power Developers, provided that in respect of any Subsidiary that is not
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a Permitted Joint Venture, the Company must exercise control over such Subsidiary and its Property to the same extent as a Permitted Joint Venture.

"Subsidiary Refinancing Debt" means Debt issued in exchange for, or the proceeds of which are used to refinance (including to purchase), outstanding Debt of a Restricted Subsidiary or an Eligible Joint Venture, including, without limitation, Construction Financing, in an amount (or, if such new Debt provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration thereof, with an original issue price) not to exceed the amount so exchanged or refinanced (plus accrued interest or dividends and all fees, premiums (in excess of accreted value) and expenses related to such exchange or refinancing), for which purpose the amount so exchanged or refinanced shall not exceed, in the case of Debt, to the lesser of (x) the principal amount of the Debt so exchanged or refinanced and (y) if the Debt being exchanged or refinanced was issued with an original issue discount, the accreted value thereof (as determined in accordance with GAAP) at the time of such exchange or refinancing, and, in the case of an equity investment made in lieu or as part of Construction Financing Debt, in an amount not to exceed the capital and surplus shown on the balance sheet of such Restricted Subsidiary or Eligible Joint Venture, provided that (A) such Debt shall be Non-Recourse, if
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the Debt so exchanged or refinanced is Non-Recourse and (B) the Average Life of the new Debt shall be equal to or

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greater than the Average Life of the Debt to be exchanged or refinanced, provided further that upon the first refinancing of any Construction Financing
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of a Restricted Subsidiary or an Eligible Joint Venture, (i) the amount of the Subsidiary Refinancing Debt issued in exchange for or to refinance such Construction Financing shall not be limited by this provision and (ii) the Subsidiary Refinancing Debt issued in exchange for or to refinance such Construction Financing shall not be subject to the provisions of the foregoing clause (B) of this provision.

"Trade Payables" means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors Incurred, created, assumed or Guaranteed by such Person or any of its Subsidiaries or Joint Ventures arising in the ordinary course of business.

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

"Trust Indenture Act" means the Trust Indenture Act of 1939 as in force at the date as of which this Indenture was executed; provided that in the event the
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Trust Indenture Act of 1939 is amended after such date, "Trust Indenture Act" shall mean, to the extent required by any such amendment, the Trust Indenture Act of 1939 as so amended.

"Unrestricted Subsidiary" means any Subsidiary of the Company that becomes an Unrestricted Subsidiary in accordance with the requirements set forth in the next sentence. The Company may designate any Restricted Subsidiary as an Unrestricted Subsidiary if (a) such designation is in compliance with Section 1010(a) and (b) after giving effect to such designation, such Subsidiary does not own, directly or indirectly, a majority of the Capital Stock or the Voting Stock of any other Restricted Subsidiary unless such other Restricted Subsidiary is designated as an Unrestricted Subsidiary at the same time. Any such designation shall be effected by

filing with the Trustee an Officers' Certificate certifying that such designation complies with the requirements of the immediately preceding sentence. No Debt or other obligation of an Unrestricted Subsidiary may be with recourse to the Company, any of its Restricted Subsidiaries, any Eligible Joint Venture or any of their respective Property. An Unrestricted Subsidiary may be designated as a Restricted Subsidiary if, (i) all the Debt of such Unrestricted Subsidiary could be Incurred under Section 1009, and (ii) any portion of such Debt could not be incurred thereunder, if the Company could borrow all such remaining Debt pursuant to Section 1008(a).

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"U.S. Government Obligations" means securities that are (i) direct obligations of the U.S. 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 U.S., the payment of which is unconditionally guaranteed as a full faith and credit obligation by the U.S., that, in either case 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 Obligations 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
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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.

"Vice President", when used with respect to the Company or the Trustee, means any vice president, whether or not designated by a number or a word or words added before or after the title "vice president".

"Voting Stock" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors (or persons fulfilling similar responsibilities) of such Person.

(b) Other definitions:

<TABLE>
<CAPTION>

Defined Term	Defined in Section
<S>	<C>
Act	104
Change of Control Offer	1013(b)
Change of Control Purchase Date	1013(b)
Covenant Defeasance	1203
Defaulted interest	307
Defeasance	1202
Default Amount	502
Excess Proceeds	1015(a)
Excess Proceeds Offer	1015(a)
Excess Proceeds Purchase Date	1015(e)
Event of Default	501
Ineligible Investment	1022
Notice of Default	501(5)
Record Expiration Date	104

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Section 102. Compliance Certificates and Opinions.

Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee such certificates and opinions as may be required under the Trust Indenture Act. Each such certificate or opinion shall be given in the form of an Officers' Certificate, if to be given by an officer of the Company, or an Opinion of Counsel, if to be given by counsel, and shall comply with the requirements of the Trust Indenture Act and any other requirement set forth in this Indenture.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include

(1) a statement that each individual signing such certificate or opinion has read such covenant or condition and the definitions herein relating thereto;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him 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, in the opinion of each such individual, such condition or covenant has been complied with.

Section 103. Form of Documents Delivered to Trustee.

If 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.

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

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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 his 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 counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

If 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 104. Acts of Holders; Record Dates.

Any request, demand, authorization, direction, notice, consent, waiver or other action provided or permitted by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee and, if it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 601) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section 104.

The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. If such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner that the Trustee deems sufficient.

The ownership of Securities shall be proved by the Security Register.

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Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Holder of any Security shall bind every future Holder of the same Security and the Holder of every Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

The Company may set any day as a record date for the purpose of determining the Holders of Outstanding Securities entitled to give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided or permitted by this Indenture to be given or taken by Holders of Securities, provided that the Company may not set a record date for, and the
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provisions of this paragraph shall not apply with respect to, the giving or making of any notice, declaration, request or direction referred to in the next paragraph. If any record date is set pursuant to this paragraph, the Holders of Outstanding Securities on such record date, and no other Holders, shall be entitled to take the relevant actions whether or not such Holders remain Holders after such record date; provided that no such action shall be effective
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hereunder unless taken on or prior to the applicable Record Expiration Date by Holders of the requisite principal amount of Outstanding Securities on such record date; and provided further that for the purpose of determining whether
-------- -------
Holders of the requisite principal amount of such Securities have taken such action, no Security shall be deemed to have been Outstanding on such record date unless it is also Outstanding on the date such action is to become effective. Nothing in this paragraph shall prevent the Company from setting a new record date for any action for which a record date has previously been set pursuant to this paragraph (whereupon the record date previously set shall automatically and with no action by any Person be cancelled and of no effect), nor shall anything in this paragraph be construed to render ineffective any action taken by Holders of the requisite principal amount of Outstanding Securities on the date such action is taken. Promptly after any record date is set pursuant to this paragraph, the Company, at its own expense, shall cause

notice of such record date, the proposed action by Holders and the applicable Record Expiration Date to be given to the Trustee in writing and to each Holder of Securities in the manner set forth in Section 106 .

The Trustee may set any day as a record date for the purpose of determining the Holders of Outstanding Securities entitled to join in the giving or making of (i) any Notice of Default, (ii) any declaration of acceleration referred to in Section 502, (iii) any request to institute proceedings referred to in Section 507(2) or (iv) any direction referred to in Section 512. If any record date is set pursuant to this paragraph, the Holders of Outstanding Securities on such record date, and no other Holders, shall be entitled to join in such

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notice, declaration, request or direction, whether or not such Holders remain Holders after such record date; provided that no such action shall be effective hereunder unless taken on or prior to the applicable Record Expiration Date by Holders of the requisite principal amount of Outstanding Securities on such record date; and provided further that for the purpose of determining whether Holders of the requisite principal amount of such Securities have taken such action, no Security shall be deemed to have been Outstanding on such record date unless it is also Outstanding on the date such action is to become effective. Nothing in this paragraph shall be construed to prevent the Trustee from setting a new record date for any action (whereupon the record date previously set shall automatically and without any action by any Person be cancelled and of no effect), nor shall anything in this paragraph be construed to render ineffective any action taken by Holders of the requisite principal amount of Outstanding Securities on the date such action is taken. Promptly after any record date is set pursuant to this paragraph, the Trustee, at the Company's expense, shall cause notice of such record date, the matter(s) to be submitted for potential action by Holders and the applicable Record Expiration Date to be given to the Company in writing and to each Holder of Securities in the manner set forth in Section 106.

With respect to any record date set pursuant to this Section 104, the party hereto that sets such record date may designate any day as the "Record Expiration Date" and

from time to time may change the Record Expiration Date to any earlier or later day, provided that no such change shall be effective unless notice of the proposed new Record Expiration Date is given to the other party hereto in writing, and to each Holder of Securities in the manner set forth in Section 106, on or before the existing Record Expiration Date. If a Record Expiration Date is not designated with respect to any record date set pursuant to this Section 104, the party hereto that set such record date shall be deemed to have initially designated the 180th day after such record date as the Record Expiration Date with respect thereto, subject to its right to change the Record Expiration Date as provided in this paragraph. Notwithstanding the foregoing, no Record Expiration Date shall be later than the 180th day after the applicable record date.

Without limiting the foregoing, a Holder entitled hereunder to take any action hereunder with regard to any particular Security may do so with regard to all or any part of the principal amount of such Security or by one or more duly appointed agents each of which may do so pursuant to such appointment with regard to all or any part of such principal amount.

Section 105. Notices, Etc., to Trustee and Company.

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Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee by any Holder or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing and mailed, first-class postage prepaid, to or with the Trustee at its Corporate Trust Office, Attention: Corporate Trust Administration, or

(2) the Company by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Company addressed to it at the address of its principal office specified in the first paragraph of

this Indenture, Attention: General Counsel, or at any other address previously furnished in writing to the Trustee by the Company.

Section 106. Notice to Holders; Waiver.

When this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at such Holder's address as it appears in the Security Register, not later than the latest date (if any), and not earlier than the earliest date (if any), prescribed for the giving of such notice. Neither the failure to mail or give such notice as otherwise provided herein, nor any defect in any notice so mailed or given to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. When this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder.

Section 107. Conflict with Trust Indenture Act.

If any provision hereof limits, qualifies or conflicts with a provision of the Trust Indenture Act that is required under such Act to be part of and govern this Indenture, the latter provision shall control. If any provision of this Indenture modifies or excludes any provision of the Trust Indenture Act that may be so modified or excluded, the latter provision shall be deemed to apply to this Indenture as so modified or to be excluded, as the case may be.

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Section 108. Effect of Headings and Table of Contents.

The Article and Section headings herein, the Cross-Reference Table and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 109. Successors and Assigns.

All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

Section 110. Separability Clause.

In case any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby, it being intended that all of the provisions hereof shall be enforceable to the full extent permitted by law.

Section 111. Benefits of Indenture.

Nothing in this Indenture or in the Securities, express or implied, shall give to any Person other than the parties hereto and their successors hereunder and the Holders of Securities, any benefit or any legal or equitable right, remedy or claim under this Indenture. This Indenture may not be used to interpret another indenture, loan agreement or debt agreement of the Company or any of its Subsidiaries. No such other indenture or loan or debt agreement may be utilized to interpret this Indenture.

Section 112. Governing Law.

THIS INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, INCLUDING SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW, BUT OTHERWISE, WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS. THE COMPANY HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY NEW YORK STATE COURT SITTING IN THE BOROUGH OF MANHATTAN IN THE CITY OF NEW YORK OR ANY FEDERAL COURT SITTING IN THE

BOROUGH OF MANHATTAN IN THE CITY OF NEW YORK IN RESPECT OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS INDENTURE AND THE SECURITIES,

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AND IRREVOCABLY ACCEPTS FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, JURISDICTION OF THE AFORESAID COURTS. THE COMPANY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT THAT IT MAY EFFECTIVELY DO SO UNDER APPLICABLE LAW, TRIAL BY JURY AND ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT AND ANY CLAIM THAT ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN ANY SUCH COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. NOTHING HEREIN SHALL AFFECT THE RIGHT OF THE TRUSTEE OR ANY HOLDER OF THE SECURITIES TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO COMMENCE LEGAL PROCEEDINGS OR OTHERWISE PROCEED AGAINST THE COMPANY IN ANY OTHER JURISDICTION.

Section 113. Legal Holidays.

If any Interest Payment Date, Redemption Date, Purchase Date or Stated Maturity of any Security shall not be a Business Day, then (notwithstanding any other provision of this Indenture or of the Securities) payment of interest or principal (and premium, if any) need not be made on such date but may be made on the next succeeding Business Day with the same force and effect (including with respect to the accrual of interest) as if made on the Interest Payment Date, Redemption Date or Purchase Date, or at the Stated Maturity.

Section 114. No Recourse Against Others.

A director, officer, employee, stockholder or incorporator, as such, of the Company shall not have any liability for any obligations of the Company under the Securities or this Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Holder by accepting a Security waives and releases all such liability. Such waiver and release are part of the consideration for the issuance of the Securities.

Section 115. Duplicate Originals.

All parties may sign any number of copies or counterparts of this Indenture. Each signed copy or counterpart shall be an original, but all of them together shall represent the same agreement.

ARTICLE TWO

Security Forms

Section 201. Forms Generally.

The Securities and the Trustee's certificates of authentication shall be in substantially the forms set forth in this Article Two, with such

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appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such Securities, as evidenced by their execution thereof.

The definitive Securities shall be printed, lithographed or engraved or produced by any combination of these methods on steel engraved borders or may be produced in any other manner permitted by the rules of any securities exchange on which the Securities may be listed, all as determined by the officers executing such Securities, as evidenced by their execution of such Securities.

Section 202. Form of Face of Security.

CALIFORNIA ENERGY COMPANY, INC.

___% Senior Discount Notes Due 2004.

No. _____ $_____

CUSIP No._____

California Energy Company, Inc., a corporation duly organized and existing under the laws of the State of Delaware (herein called the "Company", which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to _____, or registered assigns, the principal sum of _____ Dollars on January 15, 2004 and to pay interest thereon from January 15, 1997 or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semi-annually on January 15 and July 15 in each year, commencing July 15, 1997 at the rate of _____% per annum, until the principal hereof is paid or duly provided for, provided that any principal and premium, if any, and any such installment of interest, that is overdue shall bear interest at the rate of [coupon plus 1%] _____% per annum (to the extent that the payment of such interest shall be legally enforceable), from the dates such amounts are due until they are paid or duly provided for, and such interest shall be payable on demand. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date shall, as provided in such Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest, which shall be the January 1 or July 1 (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the

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Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.

Payment of the principal of (and premium, if any) and any interest on this Security shall be made at the office or agency of the Company maintained for that purpose in the Borough of Manhattan, The City of New York, or at such additional offices or agencies as the Company from time to time may designate for such purpose, 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, provided that payment of the principal of (and premium, if any, on) this
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Security shall be made only upon presentation and surrender hereof at any such office or agency and, at the option of the Company, payment of interest may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

CALIFORNIA ENERGY COMPANY, INC.

[Seal]

By:

Title:

Attest:

- ---

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Title:

Section 203. Form of Reverse of Security.

This Security is one of a duly authorized issue of Securities of the Company designated as its _____% Senior Discount Notes due 2004 (herein called the "Securities"), limited in aggregate principal amount at final Stated Maturity to $_____, issued and to be issued under an Indenture, dated as of _____, 1994 (herein called the "Indenture", which term shall have the meaning assigned to it in such instrument), between the Company and IBJ Schroder Bank & Trust Company, as Trustee (herein called the "Trustee" which term includes any successor trustee under the Indenture), and reference is hereby made to the Indenture for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Securities and of the terms upon which the Securities are, and are to be, authenticated and delivered.

The Securities are subject to redemption upon not less than 30 nor more than 60 days' notice by mail, at any time on or after January 15, 1999 and prior to maturity, as a whole or in part, at the election of the Company, at the following Redemption Prices (expressed as percentages of the principal amount at Stated Maturity), if redeemed during the 12-month period commencing on or after January 15 of the years indicated,

<TABLE>
<CAPTION>

Year	Redemption Price
<S>	<C>
1999.....	
2000.....	
2001 and thereafter.....	100%

</TABLE>

together in the case of any such redemption with accrued interest, if any, to the Redemption Date, but interest installments whose Stated Maturity is on or prior to such Redemption Date shall be payable to the Holders of such Securities, or one or more predecessor Securities, of record at the close of business on the relevant Record Dates referred to on the face hereof, all as provided in the Indenture.

The Securities do not have the benefit of any sinking fund obligations.

Upon the occurrence of both a Change of Control and a Rating Decline, the Company shall be required to make an Offer to Purchase all or a specified

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portion of the Securities at a Purchase Price in cash equal to (a) 101 percent of the Accreted Value thereof on any Purchase Date occurring prior to January 15, 1997 or (b) 101 percent of the principal amount thereof on any Purchase Date occurring on or after January 15, 1997 plus accrued and unpaid interest, if any, to such Purchase Date. If the Company or any Restricted Subsidiary consummates an Asset Sale, under certain circumstances, the Company shall be required to make an Offer to Purchase up to all or a specified portion of the Securities at a Purchase Price in cash equal to (a) 100 percent of the Accreted Value thereof on any Purchase Date occurring prior to the January 15, 1997 or (b) 100 percent of the principal amount thereof on any Purchase Date occurring on or after January 15, 1997, plus accrued and unpaid interest, if any, to such Purchase Date, in an amount equal to any Net Cash Proceeds from such an Asset Sale that are not used to reinvest in the business of the Company and/or repay in a permanent reduction of Debt of the Company or Debt of its Restricted Subsidiaries and Eligible Joint Ventures. Holders of Securities shall receive notice of any such Offer to Purchase from the Company prior to the related Purchase Date and may elect to have such

Securities purchased by completing the form entitled "Option of Holder to Elect Purchase" appearing on the reverse side of the Security.

In the event of redemption, or purchase pursuant to an Offer to Purchase, of this Security in part only, a new Security or Securities for the portion hereof not redeemed or purchased shall be issued in the name of the Holder hereof upon the cancellation hereof.

The Indenture contains provisions for defeasance at any time of the entire Debt of this Security or certain restrictive covenants and Events of Default with respect to this Security, including, without limitation, covenants relating to Offers to Purchase, in each case upon compliance with certain conditions set forth in the Indenture.

If an Event of Default shall occur and be continuing, there may be declared due and payable the Default Amount of the Securities, in the manner and with the effect provided in the Indenture. Until January 15, 1997, the Default Amount in respect of this Security as of the date upon which the Securities are declared due and payable shall equal the Accreted Value of this Security as of such date. On and after January 15, 1997, the Default Amount in respect of this Security as of any particular date shall equal 100% of the principal amount of this Security plus accrued and unpaid interest, if any, to such date.

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 Holders of the Securities under the Indenture at any time by the Company and the Trustee with the consent of the Holders of a majority in aggregate principal amount of the Securities at the time Outstanding. The Indenture also contains provisions permitting the Holders of specified percentages in aggregate principal amount of the Securities at the time Outstanding, on behalf of the Holders of all the Securities, to waive compliance by the Company with certain provisions of the Indenture and certain

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past defaults under the Indenture and their consequences. In addition,

without the consent of any Holder of a Security, the Indenture and the Securities may be amended and supplemented to cure any ambiguity or inconsistency, make other changes that shall not adversely affect the rights of the Holders or certain other matters specified in the Indenture. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

As provided in and subject to the provisions of the Indenture, the Holder of this Security shall not have the right to institute any proceeding with respect to the Indenture or for the appointment of a receiver, or trustee or for any other remedy thereunder, unless such Holder shall have previously given the Trustee written notice of a continuing Event of Default with respect to the Securities, the Holders of not less than 25 percent in principal amount of the Securities at the time Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee and offered the Trustee reasonable indemnity, and the Trustee shall not have received from the Holders of a majority in principal amount of Securities at the time Outstanding a direction inconsistent with such request and shall have failed to institute any such proceeding for 60 days after receipt of such notice, request and offer of indemnity. The foregoing shall not apply to certain suits described in the Indenture, including any suit instituted by the Holder of this Security for the enforcement of any payment of principal hereof or any premium or interest hereon on or after the respective due dates expressed herein (or, in the case of redemption, on or after the Redemption Date or, in the case of any purchase of this Security required to be made pursuant to an Offer to Purchase, on or after the Purchase Date).

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium,

if any) and interest on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Security Register, upon surrender of this Security for registration of transfer at the office or agency of the Company in the Borough of Manhattan, The City of New York, (which initially shall be the corporate trust office of the Trustee), duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed by, the

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Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Securities, of authorized denominations and for the same aggregate principal amount, shall be issued to the designated transferee or transferees.

The Securities are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Securities are exchangeable for a like aggregate principal amount of Securities of like tenor of a different authorized denomination, as requested by the Holder surrendering the same.

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

A director, officer, employee, stockholder or incorporator of the Company shall not have any liability for any obligations of the Company under this Security or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Holder by accepting this Security waives and releases all such liability. Such waiver and release are part of the consideration for the issuance of this Security.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person

in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security is overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

Interest on this Security shall be computed on the basis of a 360-day year of 12 30-day months.

All terms used in this Security that are defined in the Indenture shall have the meanings assigned to them in the Indenture.

The Indenture and this Security shall be governed by and construed in accordance with the laws of the State of New York, as applied to contracts made and performed under the State of New York, without regard to principles of conflicts of law.

ASSIGNMENT FORM

To assign this Security, fill in the form below:
(I) or (we) assign and transfer this Security to

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(Insert assignee's soc. sec. or tax I.D. no.)

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(Print or type assignee's name, address and zip code)

and irrevocably appoint _____
agent to transfer this Security on the books of the Company. The agent may substitute another to act for him.

Dated: Your Signature:

(sign exactly as name appears on the other side of this Security)

Signature Guarantee:

(Signature must be guaranteed by a financial institution that is a member of the Securities Transfer Agent Medallion Program ("STAMP"), the Stock Exchange Medallion Program ("SEMP"), the New York Stock Exchange, Inc. Medallion Signature Program ("MSP") or such other signature guarantee program as may be determined by the Security Registrar in addition to, or in substitution for, STAMP, SEMP or MSP, all in accordance with the Securities Exchange Act of 1934, as amended.)

OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Security purchased in its entirety by the Company pursuant to Section 1013 or 1015 of the Indenture, check the box: [ ]

If you want to elect to have only a part of the principal amount at Stated Maturity of this Security purchased by the Company pursuant to Section 1013 or 1015 of the Indenture, state the portion of such amount: $_____

Dated:

Your Signature:

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(sign exactly as name appears on the other side of this Security)

Signature Guarantee:

(Signature must be guaranteed by a financial institution that is a member of the Securities Transfer Agent Medallion Program ("STAMP"), the Stock Exchange Medallion Program ("SEMP"), the New York Stock Exchange, Inc. Medallion Signature Program ("MSP") or such other signature guarantee program as may be determined by the Security Registrar in addition to, or in substitution for, STAMP, SEMP or MSP, all in accordance with the Securities Exchange Act of 1934, as amended.)

Section 204. Form of Trustee's Certificate of Authentication.

Dated:

This is one of the Securities referred to in the within-mentioned Indenture.

IBJ SCHRODER BANK & TRUST COMPANY,
As Trustee

By

Authorized Signatory

ARTICLE THREE

The Securities

Section 301. Title and Terms.

The aggregate principal amount of Securities that may be authenticated and delivered under this Indenture is limited to $_____, except for Securities authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Securities pursuant to Section 304, 305, 306, 906 or 1108 or in connection with an Offer to Purchase pursuant to Section 1013 or 1015.

The Securities shall be known and designated as the "_____% Senior Discount

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Notes due 2004" of the Company. Their Stated Maturity shall be January 15, 2004 and they shall bear interest at the rate of _____% per annum, from July 15, 1997 or from the most recent Interest Payment Date to which interest has been paid or duly provided for, as the case may be, payable semi-annually on January 15 and July 15, commencing July 15, 1997 until the principal thereof is paid or made available for payment.

The principal of (and premium, if any) and interest on the Securities shall be payable at the office or agency of the Company in the Borough of Manhattan, The City of New York maintained for such purpose and at any other office or agency maintained by the Company for such purpose; provided that (except as may
----
be provided in any representation letter or agreement with a "clearing" agency registered under the Exchange Act), payment of the principal of (and premium, if any, on) the Securities shall be made only upon presentation and surrender thereof at any such office or agency and at the option of the Company payment of interest may be made by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register.

Section 302. Denominations.

The Securities shall be issuable only in registered form without coupons and only in denominations of $1,000 principal amount and any integral multiple thereof.

Section 303. Execution, Authentication, Delivery and Dating.

The Securities shall be executed on behalf of the Company by its Chairman of the Board, its President or one of its Vice Presidents, under its corporate seal reproduced thereon attested by its Secretary or one of its Assistant Secretaries. The signature of any of these officers on the Securities may be manual or facsimile.

Securities 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 Securities or did not hold such offices at the date of such Securities.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Securities; and the Trustee in accordance with such Company Order shall authenticate and deliver such Securities as in this Indenture provided and not otherwise.

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Each Security shall be dated the date of its authentication.

No Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Security a certificate of authentication substantially in the form provided for herein executed by the Trustee by manual signature, and such certificate upon any Security shall be conclusive evidence, and the only evidence, that such Security has been duly authenticated and delivered hereunder.

Section 304. Temporary Securities.

Pending the preparation of definitive Securities, the Company may execute, and upon Company Order the Trustee shall authenticate and deliver, temporary Securities that are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as evidenced by their execution of such Securities.

If temporary Securities are issued, the Company shall cause definitive Securities to be prepared without unreasonable delay. After the preparation of definitive Securities, the temporary Securities shall be exchangeable for definitive Securities upon surrender of the temporary Securities at any office or agency of the Company designated pursuant to Section 1002 without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a like principal amount of definitive Securities of authorized denominations and of a like tenor. Until so exchanged, the temporary Securities shall in all respects be entitled to the same benefits under this Indenture as definitive Securities.

Section 305. Registration, Registration of Transfer and Exchange.

The Company shall cause to be kept at the Corporate Trust Office of the Trustee a register (the register maintained in such office and in any other office or agency designated pursuant to Section 1002 being herein sometimes collectively referred to as the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Securities and of transfers of Securities. The Trustee is hereby appointed "Security Registrar" for the purpose of registering Securities and transfers of Securities as herein provided.

Upon surrender for registration of transfer of any Security at an office or agency of the Company designated

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pursuant to Section 1002 for such purpose, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of any authorized denominations and of a like aggregate principal amount and tenor.

At the option of the Holder, Securities may be exchanged for other Securities of any authorized denominations and of a like aggregate principal amount and tenor, upon surrender of the Securities to be exchanged at such office or agency. Whenever any Securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities that the Holder making the exchange is entitled to receive.

All Securities issued upon any registration of transfer or exchange of Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such registration of transfer or exchange.

Every Security presented or surrendered for registration of transfer or for exchange shall (if so required by the Company or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed, by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Securities, other than exchanges pursuant to Section 304, 906 or 1108 or in accordance with any Offer to Purchase pursuant to Section 1013 or 1015 , and in any such case not involving any transfer.

Neither the Trustee, the Security Registrar nor the Company shall be required (i) to issue, register the transfer of or exchange any Security during a period

beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of Securities selected for redemption under Section 1104 and ending at the close of business on the day of such mailing or (ii) to register the transfer of or exchange any Security so selected for redemption in whole or in part, except the unredeemed portion of any Security being redeemed in part.

Section 306. Mutilated, Destroyed, Lost and Stolen Securities.

If any mutilated Security is surrendered to the Trustee, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a

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new Security of like tenor and principal amount and bearing a number not contemporaneously outstanding.

If there shall be delivered to the Company and the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Security and (ii) such security or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Security has been acquired by a bona fide purchaser, the Company shall execute and upon its request the Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Security, a new Security of like tenor and principal amount and bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security.

Upon the issuance of any new Security under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Security issued pursuant to this Section 306 in lieu of any destroyed, lost or stolen Security

shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities duly issued hereunder.

The provisions of this Section 306 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

Section 307. Payment of Interest; Interest Rights Preserved.

Interest on any Security that is payable and is punctually paid or duly provided for on any Interest Payment Date shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest.

Any interest on any Security that is payable but is not punctually paid or duly provided for on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in clause (1) or (2) below:

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(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Securities (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Security and the date of the proposed payment and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money

when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as provided in this clause. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest that shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be given to each Holder in the manner specified in Section 106 not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so given, such Defaulted Interest shall be paid to the Persons in whose names the Securities (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following clause (2).

(2) The Company may make payment of any Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause, such manner of payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section, each Security delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Security.

Section 308. Persons Deemed Owners.

Prior to due presentment of a Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Security is registered as the owner of

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such Security for the purpose of receiving payment of principal of (and premium, if any) and (subject to Section 307) interest on such Security and for all other purposes whatsoever, whether or not such Security be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

Section 309. Cancellation.

All Securities surrendered for payment, redemption, registration of transfer or exchange or for credit against any Offer to Purchase pursuant to Section 1013 or 1015 shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee and shall be promptly cancelled by it. The Company may at any time deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder that the Company may have acquired in any manner whatsoever, and all Securities so delivered shall be promptly cancelled by the Trustee. No Securities shall be authenticated in lieu of or in exchange for any Securities cancelled as provided in this Section 309, except as expressly permitted by this Indenture. All cancelled Securities held by the Trustee shall be disposed of as directed by a Company Order; provided that the Trustee shall not be required to destroy cancelled Securities.

Section 310. Computation of Interest.

Interest on the Securities shall be computed on the basis of a 360-day year of twelve 30-day months.

Section 311. CUSIP Numbers.

The Company in issuing the Securities may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use CUSIP numbers in notices of redemption or repurchase as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of a redemption or repurchase and that reliance may be placed only on the other identification numbers printed on the Securities, and any such redemption or repurchase

shall not be affected by any defect in or omission of such numbers.

ARTICLE FOUR

Satisfaction and Discharge

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Section 401. Satisfaction and Discharge of Indenture.

This Indenture shall cease to be of further effect and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when

(1) no Securities remain Outstanding;

(2) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(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 have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture pursuant to this Article Four, (i) the obligations of the Company to the Trustee under Section 607, the obligations of the Company to any Authenticating Agent under Section 614 and (ii) if the Company shall have effected a Defeasance pursuant to Article Twelve, the provisions hereof specified in Section 1202 shall also survive.

ARTICLE FIVE

Remedies

Section 501. Events of Default.

"Event of Default", whenever used herein, 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 or 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 the principal of (or premium, if any, on) any Security at its maturity (whether at final Stated Maturity or upon repurchase, acceleration, optional redemption or otherwise); or

(2) default in the payment of any interest upon any Security when it becomes due and payable, and continuance of such default for a period of 30 days; or

(3) default in the purchase of Securities, on the applicable Purchase

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Date, required to be purchased by the Company pursuant to an Offer to Purchase under Section 1013 or Section 1015 as to which an offer has been mailed to Holders or the failure to make such offer as required hereunder; or

(4) default in the performance, or breach, of any covenant, agreement or warranty of the Company in this Indenture and the Securities (other than a covenant, agreement or warranty a default in whose performance or whose breach is elsewhere in this Section 501 specifically dealt with), and continuance of such default or breach for a period of 30 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 percent in principal amount at final Stated Maturity of the Outstanding Securities 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

(5) a default or defaults under any bond, debenture, note or other evidence of Debt by the Company or any Significant Subsidiary (or under any mortgage, in denture or instrument under which there may be issued or by which there may be secured or evidenced any Debt by the Company or any Significant Subsidiary) (other than Non-Recourse Debt of Significant Subsidiaries) if either (x) such default results from failure to pay principal of such Debt in excess of $25 million when due after any applicable grace period or (y) as a result of such de-

fault, the maturity of such Debt has been accelerated prior to its scheduled maturity and such default has not been cured within the applicable grace period, and such acceleration has not been rescinded, and the principal amount of such Debt, together with the principal amount of any other Debt of the Company and its Significant Subsidiaries (not including Non-Recourse Debt of the Significant Subsidiaries) that is in default as to principal, or the maturity of which has been accelerated, aggregates $25 million or more; or

(6) the entry by a court of one or more judgments or orders against the Company or any Significant Subsidiary for the payment of money that in aggregate exceeds $25 million (excluding the amount thereof covered by insurance or by a bond written by a Person other than an Affiliate of the Company), which judgments or orders have not been vacated, discharged or satisfied or stayed pending appeal within 60 days from the entry thereof, provided that such a judgment or order shall not be on Event of Default if such judgment or order does not require any payment by the Company or any Significant Subsidiary, except to the extent that such judgment is only against Property that secures Non-Recourse Debt that is otherwise permitted under this Indenture, and the Company could, at the expiration of the applicable 60 day period, after giving effect to such judgement or order and the consequences thereof, Incur at least $1 of Debt under the provisions described in Section 1008(a); or

(7) the entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of the Company or any Significant

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Subsidiary in an involuntary case or proceeding under the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable Federal, state, or foreign bankruptcy, insolvency, or other similar law or (B) a decree or order adjudging the Company or any Significant Subsidiary a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company or any Significant Subsidiary under the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable Federal, State or foreign bankruptcy, insolvency, or similar law, or appointing a custodian, receiver, liq-

uidator, assignee, trustee, sequestrator or other similar official of the Company or any Significant Subsidiary or of any substantial part of the Property or assets of the Company or any Significant Subsidiary, or ordering the winding up or liquidation of the affairs of the Company or any Significant Subsidiary, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive days; or

(8) (A) the commencement by the Company or any Significant Subsidiary of a voluntary case or proceeding under the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal, state, or foreign bankruptcy, insolvency or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or (B) the consent by the Company or any Significant Subsidiary to the entry of a decree or order for relief in respect of the Company or any Significant Subsidiary in an involuntary case or proceeding under the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal, state, or foreign bankruptcy, insolvency, or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against the Company or any Significant Subsidiary, or (C) the filing by the Company or any Significant Subsidiary of a petition or answer or consent seeking reorganization or relief under the Federal bankruptcy laws, as now or hereafter constituted, or any other applicable Federal, state or foreign bankruptcy, insolvency or other similar law, or (D) the consent by the Company or any Significant Subsidiary to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Company or any Significant Subsidiary or of any substantial part of the Property or assets of the Company or any Significant Subsidiary, or the making by the Company or any Significant Subsidiary of an assignment for the benefit of creditors, or (E) the admission by the Company or any Significant Subsidiary in writing of its inability to pay its debts generally as they become due, or (F) the taking of corporate action by the Company or any Significant Subsidiary in furtherance of any such action.

Section 502. Acceleration of Maturity; Rescission and Annulment.

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If an Event of Default (other than an Event of Default specified in Section 501(7) or (8)) occurs and is continuing, then and in every such case the Trustee or the Holders of not less than 25 percent in principal amount at Stated Maturity of the Outstanding Securities may declare the Default Amount of all the Securities 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 Default Amount shall become immediately due and payable. If an Event of Default specified in Section 501(7) or (8) occurs, the Default Amount of the Securities then Outstanding shall ipso facto become immediately due and payable without any declaration or other Act on the part of the Trustee or any Holder.

At any time after such a declaration of acceleration 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 Five provided, the Holders of a majority in principal amount of the Outstanding Securities, 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 sufficient to pay

(A) all overdue interest on all Securities (without duplication of any amount thereof paid or deposited pursuant to clause (B) or (C) below),

(B) the Default Amount of (and premium, if any, on) any Securities that have become due otherwise than by such declaration of acceleration (including any Securities required to have been purchased on any Purchase Date pursuant to an Offer to Purchase made by the Company) and, to the extent that payment of such interest is lawful, interest thereon at the rate provided by the Securities (without duplication of any amount

thereof paid or deposited pursuant to clause (A) above or clause (C) below),

(C) to the extent that payment of such interest is lawful, interest upon overdue interest at the rate provided by the Securities (without duplication of any amount thereof paid or deposited pursuant to clause (A) or (B) above), 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;

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and

(2) all Events of Default (other than the non-payment of the Accreted Value of Securities that have become due solely by such declaration of acceleration) have been cured or waived as provided in Section 513.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

Section 503. Collection of Indebtedness and Suits for Enforcement by Trustee.

The Company covenants that if

(1) default is made in the payment of any interest on any Security 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 the principal or Accreted Value of (or premium, if any, on) any Security at the final Stated Maturity thereof or, with respect to any Security required to have been purchased pursuant to an Offer to Purchase made by the Company, at the Purchase Date thereof, the Company shall, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Securities, the whole amount then due and payable on such Securities

Accreted Value or principal, as the case may be, (premiums, if any) and interest, and, to the extent that payment of such interest shall be legally enforceable, interest on any overdue Accreted Value or principal, as the case may be, (premium, if any) and interest, and on any overdue interest, at the rate provided by the Securities, 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 amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company or any other obligor upon the Securities and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the Property of the Company or any other obligor upon the Securities, wherever situated.

If an Event of Default occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders 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

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exercise of any power granted herein, or to enforce any other proper remedy.

Section 504. Trustee May File Proofs of Claim.

In case of any judicial proceeding relative to the Company (or any other obligor upon the Securities), its Property or assets or its creditors, the Trustee (irrespective of whether the Accreted Value or principal, as the case may be, (premium, if any) or interest of the Securities then shall be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee has made any demand on the Company for the payment of overdue Accreted Value or principal, as the case may be, (premium, if any) or interest shall

be entitled and empowered, by intervention in such proceeding or otherwise, to file such proofs of claim and other papers or documents and to take any and all actions authorized under the Trust Indenture Act in order to have claims of the Holders and the Trustee (including any claim for reasonable compensation, expenses, disbursements and advances of the Trustee, its agents or counsel) allowed in any such proceeding. In particular, the Trustee shall be authorized to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same; and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any 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 607 . To the extent that payment of any such compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any amounts due the Trustee under Section 607 hereof out of the estate in any such proceeding shall be denied for any reason, payment of the same shall be secured by a Lien and shall be paid out of any and all distributions, dividends, money, securities and other properties that the Holders of the Securities may be entitled to receive in such proceedings whether in liquidation or under any plan of reorganization or arrangement or otherwise.

No provision of this Indenture shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding; provided that the

Trustee may, on behalf of the Holders, vote for the election of a trustee in bankruptcy or similar official and be a member of a creditors or other similar committee.

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Section 505. Trustee May Enforce Claims Without Possession of Securities.

All rights of action and claims under this Indenture or the Securities may be prosecuted and enforced by the Trustee without the possession of any of the Securities or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Securities in respect of which such judgment has been recovered.

Section 506. Application of Money Collected.

Any money collected by the Trustee pursuant to this Article Five shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest, upon presentation of the Securities and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee under Section 607; and

SECOND: To the payment of the amounts then due and unpaid on the Securities in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities in respect of principal (and premium, if any) and interest; and

THIRD: To whosoever may be lawfully entitled thereto, the remainder, if any.

Section 507. Limitation on Suits.

No Holder of any Security shall have any right to institute any proceeding, judicial or otherwise, with

respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default;

(2) the Holders of not less than 25 percent in principal amount of the Outstanding Securities shall have made written request to the Trustee to

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institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Securities;

it being understood and intended that no one or more Holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders, or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all the Holders.

Section 508. Unconditional Right of Holders to Receive Principal, Premium and Interest.

Notwithstanding any other provision in this Indenture, the Holder of any Security shall have the right, which is absolute and unconditional, to receive full payment of the Accreted Value or principal, as the case may be, of (and premium, if any) and (subject to Section

307) interest on such Security on the respective Stated Maturities expressed in such Security (or, in the case of redemption on the Redemption Date or in the case of an Offer to Purchase made by the Company and accepted as to such Security, on the Purchase Date) in accordance with the terms of this Indenture and the Securities and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

Section 509. Restoration of Rights and Remedies.

If the Trustee or any Holder has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though

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no such proceeding had been instituted.

Section 510. Rights and Remedies Cumulative.

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities in the last paragraph of Section 306, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder or otherwise shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 511. Delay or Omission Not Waiver.

No delay or omission of the Trustee or of any Holder of any Security to exercise any right or remedy accruing upon any Event of Default shall impair any such right or

remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article Five or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

Section 512. Control by Holders.

The Holders of a majority in principal amount of the Outstanding Securities 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 that

(1) such direction shall not be in conflict with any rule of law or with this Indenture, and

(2) the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction.

Section 513. Waiver Of Past Defaults.

The Holders of not less than a majority in principal amount of the Outstanding Securities may on behalf of the Holders of all the Securities waive any past default hereunder and its consequences, except a default

(1) in the payment of the principal of (or premium, if any) or

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interest on any Security (including any Security that is required to have been purchased pursuant to an Offer to Purchase that has been made by the Company), or

(2) in respect of a covenant or provision hereof that under Article Nine cannot be modified or amended without the consent of the Holder of each Outstanding Security affected.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subse-

quent or other default or impair any right consequent thereon.

Section 514. Undertaking for Costs.

In any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, a court may require any party litigant in such suit to file an undertaking to pay the costs of such suit, and may assess costs against any such party litigant, in the manner and to the extent provided in the Trust Indenture Act.

Section 515. Waiver of Stay or Extension Laws.

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

ARTICLE SIX

The Trustee

Section 601. Certain Duties and Responsibilities.

(a) The duties and responsibilities of the Trustee shall be as provided by the Trust Indenture Act. 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 601.

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(b) 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 that 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 but need not confirm the accuracy of any calculations contained therein.

(c) 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.

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

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(1) this subsection (d) shall not be construed to limit the effect of subsections (b) or (c) of this Section 601;

(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 a majority in principal amount of the Outstanding Securities 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; 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

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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.

Section 602. Notice of Defaults; Notice of Acceleration.

Within 90 days after the occurrence of any Default or Event of Default, the Trustee shall transmit by mail to all Holders, as their names and addresses appear in the Security Register, notice of such Default or Event of Default known to the Trustee, unless such Default or Event of Default shall have been cured or waived; provided that, except in the case of a default in any payment
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of the principal of (or premium, if any) or interest on any Security and any payment required in connection with a Change of Control or an Asset Disposition, 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; and provided further that in
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the case of any Default or Event of Default of the character specified in Section 501(5), no such notice to Holders shall be given until at least 30 days after the occurrence thereof.

Section 603. Certain Rights of Trustee.

Subject to the provisions of Section 601:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, re-

port, 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, order, demand or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order 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

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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 that might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investi-

gation, it shall be entitled (subject to reasonable confidentiality arrangements as may be proposed by the Company) to examine the books, records and premises of the Company, personally or by agent or attorneys;

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder; and

(h) the Trustee shall not be liable for any action taken, suffered or omitted by it and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture.

Section 604. Not Responsible for Recitals or Issuance of Securities.

The recitals contained herein and in the Securities, except the Trustee's certificates of authentication, shall be taken as the statements of the Company, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities. The Trustee shall not be accountable for the use or application by the Company of Securities or the proceeds thereof.

Section 605. May Hold Securities.

The Trustee, any Authenticating Agent, any Paying Agent, any Security Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Securities and, subject to Sections

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608 and 613, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Authenticating Agent, Paying Agent, Security Registrar or such other agent.

Section 606. 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 607. Compensation and Reimbursement.

The Company agrees

(1) to pay to the Trustee from time to time such reasonable compensation as the Company and the 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 indemnify the Trustee in its individual capacity and each of its officers, directors, agents and counsel for, and to hold it harmless against, any loss, damage, claim, liability or expense incurred without negligence or bad faith on such Person's part, arising out of or in connection with the acceptance or administration of this Indenture or the performance of any of its powers and duties hereunder, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder and complying with any process served upon the Trustee or any such other Person hereunder.

The Trustee shall have a Lien prior to the Securities with respect to all Property and funds held or collected by the Trustee hereunder for any amount owing to it pursuant to this Section 607, except with respect to funds held in trust for the benefit of the Holders of particular Securities.

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When the Trustee incurs expenses or renders services in connection with an Event of Default specified in Section 501(7) or Section 501(8), the expenses (including the reasonable charges and expenses of its counsel) and the compensation for the services are intended to constitute expenses of administration under any applicable Federal or state bankruptcy, insolvency or other similar law.

The Company's obligations under this Section 607 and any Lien arising hereunder shall survive the resignation or removal of the Trustee, the discharge of the Company's obligations pursuant to Article Twelve, any rejection or termination of the Indenture under any Federal or state bankruptcy, insolvency or other similar law or any other termination of this Indenture.

Section 608. Conflicting Interests.

If the Trustee has or shall acquire a conflicting interest within the meaning of the Trust Indenture Act, the Trustee shall either eliminate such interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and this Indenture.

Section 609. Corporate Trustee Required; Eligibility.

There shall at all times be a Trustee hereunder that shall be a Person that is eligible pursuant to the Trust Indenture Act to act as such and has a combined capital and surplus of at least $50,000,000 and its Corporate Trust Office in the Borough of Manhattan, The City of New York and shall be subject to supervision or examination by Federal or State authority. If such Person 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 609 and to the extent permitted by the Trust Indenture Act, the combined capital and surplus of such Person 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 609, it shall resign immediately in the

manner and with the effect hereinafter specified in this Article Six.

Section 610. 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 Six shall become effective until the acceptance of appointment by the successor Trustee in accordance with the applicable requirements of Section 611.

(b) The Trustee may resign at any time by giving written notice thereof to the Company. If an instrument of acceptance by a successor Trustee

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in accordance with the applicable requirements of Section 611 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 Act of the Holders of a majority in principal amount of the Outstanding Securities, delivered to the Trustee and to the Company.

(d) If at any time:

(1) the Trustee shall fail to comply with Section 608 after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Security for at least six months, or

(2) the Trustee shall cease to be eligible under Section 609 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 514, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, the Company, by a Board Resolution, shall promptly appoint a successor Trustee. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Securities 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 611, 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 accordance with the applicable requirements of Section 611, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) The Company shall give written notice of each resignation and

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each removal of the Trustee and each appointment of a successor Trustee to all Holders in the manner provided in Section 106. Each notice shall include the name of the successor Trustee and the address of its Corporate Trust Office.

Section 611. Acceptance of Appointment by Successor.

Every successor Trustee appointed hereunder 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 request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of any amounts then due under Section 607, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder, subject, nevertheless, to its Lien, if any, provided for in Section 607. 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.

No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

Section 612. 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 that such corporation shall be otherwise qualified and eligible under this Article Six, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

Section 613. Preferential Collection

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of Claims Against Company.

If and when the Trustee shall be or become a creditor of the Company (or any other obligor upon the Securities), the Trustee shall be subject to the provisions of the Trust Indenture Act regarding the collection of claims against the Company (or any such other obligor).

Section 614. Appointment of Authenticating Agent.

The Trustee may from time to time appoint an Authenticating Agent or Agents that shall be authorized to act on behalf of the Trustee to authenticate Securities issued upon original issue and upon exchange, registration of transfer or partial redemption or partial purchase or pursuant to Section 306, and Securities so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Wherever reference is made in this Indenture to the authentication and delivery of Securities by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Company and shall at all times be a corporation organized and doing business under the laws of the United States 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 614, 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 614, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section 614.

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, without the execution or filing of any paper or any further act on the part of the Trustee or the Authenticating Agent. In case any

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Securities shall have been authenticated, but not delivered, by the Authenticating Agent then in office, any successor by merger, conversion or consolidation to such authenticating Authenticating Agent may adopt such authentication and deliver the Securities so authenticated with the same effect as if such successor Trustee had itself authenticated such Securities.

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 614, the Trustee may appoint a successor Authenticating Agent that shall be acceptable to the Company and shall give notice of such appointment in the manner provided in Section 106, to all Holders as their names and addresses appear in the Security 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 614.

The Company agrees to pay to each Authenticating Agent from time to time reasonable compensation for its services under this Section.

If an appointment is made pursuant to this Section 614, the Securities may have endorsed thereon, in lieu of the Trustee's certificate of authentication, an alternative certificate of authentication in the following form:

This is one of the Securities described in the within-mentioned Indenture.

Dated:

IBJ SCHRODER BANK & TRUST COMPANY
as Trustee

By _____,
As Authenticating Agent

By _____,
Authorized Signatory

ARTICLE SEVEN

Holders' Lists and Reports by Trustee and Company

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Section 701. Company to Furnish Trustee Names and Addresses of Holders.

The Company shall furnish or cause to be furnished to the Trustee

(a) semi-annually, not more than 15 days after each Regular Record Date, in such form as the Trustee may reasonably require, of the names and addresses of the Holders as of such Regular Record Date, and

(b) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished;

excluding from any such list names and addresses received by the Trustee in its capacity as Security Registrar.

Section 702. Preservation of Information; Communications to Holders.

(a) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders contained in the most recent list furnished to the Trustee as provided in Section 701 and the names and addresses of Holders received by the Trustee in its capacity as Security Registrar. The Trustee may destroy any list furnished to it as provided in Section 701 upon receipt of a new list so furnished.

(b) The rights of Holders to communicate with other Holders with respect to their rights under this Indenture or under the Securities, and the corresponding rights and duties of the Trustee, shall be as provided by the Trust Indenture Act.

(c) Every Holder of Securities, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any agent of either of them shall be held accountable by reason of any disclosure of information as to the names and addresses of Holders made pursuant to the Trust Indenture Act.

Section 703. Reports by Trustee.

(a) Within 60 days after May 15 of each year commencing with the May 15 following the Issue Date, the Trustee shall transmit to Holders such reports concerning the Trustee and its actions under this Indenture as may be required pursuant to the Trust Indenture Act in the manner provided pursuant thereto.

(b) A copy of each such report shall, at the time of such

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transmission to Holders, be filed by the Trustee with each stock exchange upon which the Securities are listed, with the Commission and with the Company. The Company shall notify the Trustee in writing when the Securities are listed on any stock exchange.

Section 704. Reports by Company.

The Company shall file with the Trustee and the Commission, and transmit to Holders, such information,

documents and other reports, and such summaries thereof, as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant to such Act; provided that any such information, documents or reports required to be filed with the Commission pursuant to Section 13 or 15(d) of the Exchange Act shall be filed with the Trustee within 15 days after the same is so required to be filed with the Commission.

ARTICLE EIGHT

Consolidation, Merger, Conveyance, Transfer or Lease

Section 801. Company May Consolidate, Etc. Only on Certain Terms.

The Company shall not, in any transaction or series of transactions, consolidate with or merge into any other Person, or sell, convey, assign, transfer, lease or otherwise dispose of all or substantially all of the Property and assets of the Company to any other Person, unless:

(i) either (a) the Company shall be the continuing corporation or (b) the corporation (if other than the Company) formed by such consolidation or into which the Company is merged, or the Person that acquires, by sale, assignment, conveyance, transfer, lease or disposition, all or substantially all of the Property and assets of the Company (such corporation or Person, the "Surviving Entity"), shall be a corporation organized and validly existing under the laws of the United States of America, any political subdivision thereof or any state thereof or the District of Columbia, and shall expressly assume, by a supplemental indenture, the due and punctual payment of the principal of (and premium, if any) and interest on all the Securities and the performance of the Company's covenants and obligations under this Indenture;

(ii) immediately before and immediately after giving effect to such transaction or series of transactions on a pro forma basis (including, without limitation, any Debt Incurred or anticipated to be Incurred in

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connection with or in respect of such transaction or series of transactions), no Default or Event of Default shall have occurred and be continuing or would result therefrom;

(iii) immediately after giving effect to any such transaction or series of transactions on a pro forma basis (including, without limitation, any Debt Incurred or anticipated to be Incurred in connection with or in respect of such transaction or series of transactions) as if such transaction or series of transactions had occurred on the first day of the determination period, the Company (or the Surviving Entity if the Company is not continuing) would be permitted to Incur $1.00 of additional Debt pursuant to Section 1008(a); and

(iv) immediately after giving effect to such transaction or series of transactions on a pro forma basis (including, without limitation, any Debt Incurred or anticipated to be Incurred in connection with or in respect of such transaction or series of transactions)(without giving effect to the fees and expenses incurred in respect of such transaction),the Company (or the Surviving Entity if the Company is not continuing) shall have a Net Worth equal to or greater than the Net Worth of the Company immediately prior to such transaction.

In connection with any consolidation, merger, sale, assignment, conveyance, transfer, lease or other disposition contemplated by the foregoing provisions of this Section 801, the Company shall deliver, or cause to be delivered, to the Trustee, in form and substance reasonably satisfactory to the Trustee, an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, sale, conveyance, assignment, transfer, lease or other disposition and the indenture supplemental hereto in respect thereof (to the extent required under clause (i) of this Section 801) comply with the requirements of this Indenture. Each such Officers' Certificate shall set forth the ability to Incur Debt in accordance with clause (iii) of Section 801.

None of the Company, any of its Restricted Subsidiaries or any Eligible Joint Ventures may merge with or into, or be consolidated with, an Unrestricted Subsidiary of the Company, except to the extent that such Unrestricted Subsidiary has been designated a Restricted Subsidiary as provided in this Indenture in advance of or in connection with such merger.

For all purposes of this Indenture and the Securities (including this Section 801 and Sections 1008, 1009 and 1012), Subsidiaries of any Surviving Entity shall,

upon such transaction or series of transactions, become Restricted Subsidiaries or Unrestricted Subsidiaries as provided pursuant to this Indenture

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and all Debt, and all Liens on Property or assets, of the Surviving Entity and its Subsidiaries that was not Debt, or were not Liens on Property or assets, of the Company and its Subsidiaries immediately prior to such transaction or series of transactions shall be deemed to have been Incurred upon such transaction or series of transactions.

Section 802. Successor Substituted.

Upon any transaction or series of transactions that are of the type described in, and are effected in accordance with, Section 801, the Surviving Entity 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 Surviving Entity had been named as the Company herein; and when a Surviving Person duly assumes all of the obligations and covenants of the Company pursuant to this Indenture and the Securities, except in the case of a lease, the predecessor Person shall be relieved of all such obligations.

ARTICLE NINE

Supplemental Indentures

Section 901. Supplemental Indentures Without Consent of Holders.

Without the consent of any Holders, the Company, when authorized by a Board Resolution, may, and subject to Section 903, the Trustee, at any time and from time to time, shall, enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another Person to the Company and the assumption by any such successor of the covenants of the Company herein and in the Securities; or

(2) to add to the covenants of the Company for the benefit of the Holders, or to surrender any right or power herein conferred upon the Company; or

(3) to add additional Events of Default; or

(4) to provide for uncertificated Securities in addition to or in place of the certificated Securities; or

(5) to change or eliminate any of the provisions of this Indenture, provided that any such change or elimination shall become effective
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only when there is not Outstanding any Security created prior to the execution of such supplemental indenture that is entitled to the benefit of such provision; or

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(6) to evidence and provide for the acceptance of appointment under this Indenture by a successor Trustee; or

(7) to secure the Securities pursuant to the requirements of Section 1012 or otherwise; or

(8) to cure any ambiguity, to correct or supplement any provision herein that may be defective or inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Indenture (8), provided that such actions pursuant to this
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clause shall not adversely affect the interests of the Holders; or

(9) to comply with any requirements of the Commission in order to effect and maintain the qualification of this Indenture under the Trust Indenture Act.

Section 902. Supplemental Indentures with Consent of Holders.

With the consent of the Holders of not less than a majority in principal amount of the Outstanding Securities, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Board Resolution, may, and (subject to Section 903) the Trustee shall, enter into an indenture or indentures

supplemental hereto, in form satisfactory to the Trustee, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders under this Indenture; provided that no such supplemental indenture
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shall, without the consent of the Holder of each Outstanding Security affected thereby,

(1) change the Stated Maturity of the principal of or any installment of interest on, any Security, or reduce the principal amount thereof at or the rate of interest thereon or any premium payable thereon, reduce the rate or extend the time of accretion of original issue discount thereon beyond July 15, 1997 or the time of payment of any cash interest thereon, reduce any amount payable on redemption or purchase thereof, or reduce the Default Amount that would be due and payable on acceleration of the Stated Maturity thereof pursuant to Section 502, or change the place of payment where, or the coin or currency in which, any Security or any premium or interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof, or

(2) reduce the percentage in principal amount of the Outstanding Securities, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any

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waiver (of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture, or

(3) modify the obligations of the Company to make Offers to Purchase from the Excess Proceeds of Asset Sales or to modify the related definitions, or

(4) subordinate a right of payment, or otherwise subordinate, the Securities to any other indebtedness, or

(5) modify any provisions of this Indenture relating to the calculation of Accreted Value, or

(6) modify any of the provisions of this Section 902, Section 513 or Section 1020, except to in-

crease any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Security affected thereby.

It shall not be necessary for any Act of Holders under this Section 902 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

After a supplemental indenture under this Section becomes effective, the Company shall mail to the Holders affected thereby a notice briefly describing the supplemental indenture. Any failure of the Company to mail such notice, or any default therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

In connection with any supplemental indenture or waiver under this Article Nine, the Company may, but shall not be obligated to, offer to any Holder who consents to such supplemental indenture, or to all Holders, consideration for such Holder's consent to such supplemental indenture.

Section 903. Execution of Supplemental Indentures.

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 601) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture that affects the Trustee's own rights, duties or immunities under this Indenture or

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otherwise.

Section 904. Effect of Supplemental Indentures.

Upon the execution of any supplemental indenture under this Article Nine, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby, unless it makes a change described in any of clauses (1) through (6) of Section 902, in which case, the supplemental indenture shall bind only each Holder of a Security who has consented to it and every subsequent Holder of a Security or portion of a Security that evidences the same Debt as the consenting Holder's Security; provided that any such waiver shall not impair or affect the right of any Holder to receive payment of principal and premium of and interest on a Security, on or after the respective dates set for such amounts to become due and payable, or to bring suit for the enforcement of any such payment on or after such respective dates.

Section 905. Conformity with Trust Indenture Act.

Every supplemental indenture executed pursuant to this Article Nine shall conform to the requirements of the Trust Indenture Act.

Section 906. Reference in Securities to Supplemental Indentures.

Securities authenticated and delivered after the execution of any supplemental indenture pursuant to this Article Nine may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities. Any failure to make the appropriate notation on a new Security shall not affect the validity of such Security.

ARTICLE TEN

Covenants

Section 1001. Payment of Principal, Premium and Interest.

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The Company shall duly and punctually pay the principal of (and premium, if any) and interest on the Securities in accordance with the terms of the Securities and this Indenture.

Section 1002. Maintenance of Office or Agency.

The Company shall maintain in the Borough of Manhattan, The City of New York, an office or agency where Securities may be presented or surrendered for payment, where Securities may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The Company shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands. In the event any such notice or demands are so made or served on the Trustee, the Trustee shall promptly forward copies thereof to the Company.

The Company may also from time to time designate one or more other offices or agencies (in or outside the Borough of Manhattan, The City of New York) where the Securities may be presented or surrendered for any or all such purposes and may from time to time rescind such designations; provided that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in the Borough of Manhattan, The City of New York, for such purposes. The Company shall give prompt written notice to the Trustee of any such designation or rescission and of any

change in the location of any such other office or agency. The Company hereby initially designates the Corporate Trust Office of the Trustee as such office of the Company.

Section 1003. Money for Security Payments to be Held in Trust.

If the Company shall at any time act as its own Paying Agent, it shall, on or before each due date of the principal of (and premium, if any) or interest on any of the Securities, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal (and premium, if any) or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided and shall promptly notify the Trustee of its action or failure so to act.

Whenever the Company shall have one or more Paying Agents, it shall, prior to each due date of the principal of (and premium, if any) or interest on any Securities, deposit with a Paying Agent a sum sufficient to pay the

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principal (and premium, if any) or interest so becoming due, such sum to be held as provided by the Trust Indenture Act, and (unless such Paying Agent is the Trustee) the Company shall promptly notify the Trustee of its action or failure so to act.

The Company shall cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section 1003, that such Paying Agent shall (i) comply with the provisions of the Trust Indenture Act applicable to it as Paying Agent, (ii) give the Trustee notice of any default by the Company (or other obligor upon the Securities) in the making of any payment of principal of (and premium, if any) or interest in respect of the Securities and (iii) during the continuance of any default by the Company (or any other obligor upon the Securities) in the making of any payment in respect of the Securities, upon the written request of the Trustee, forthwith pay to the Trustee all sums held in trust by such Paying Agent as such.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of (and premium, if any) or interest on any Security and remaining unclaimed for two years after such principal (and premium, if any) or interest has become due and payable shall be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Security shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money shall thereupon cease; provided that the Trustee or
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such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in The City of New York, or mail to such Holder, or both, 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 publication, any unclaimed balance of such money then remaining shall be repaid to the Company.

Section 1004. Existence.

Subject to Article Eight, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate

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existence, rights (charter and statutory) and material franchises; provided that the Company shall not be required to preserve any such right or franchise if the Board of Directors in good faith shall determine that the preservation thereof is no longer desirable in the conduct of the

business of the Company and that the loss thereof is not disadvantageous in any material respect to the Holders.

Section 1005. Maintenance of Properties.

The Company shall cause all material properties used or useful in the conduct of its business or the business of any Restricted Subsidiary and any Eligible Joint Venture to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and shall cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Company may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; provided that nothing in this Section 1005 shall prevent the Company from discontinuing the operation or maintenance of any of such material or properties or, subject to the provisions of Section 1015, disposing of any of them if such discontinuance or disposal is, as determined by the Board of Directors in good faith, desirable in the conduct of its business or the business of any Restricted Subsidiary and not disadvantageous in any material respect to the Holders, provided that the Restricted Subsidiaries and the Eligible Joint Ventures of the Company shall not be required to comply with the foregoing provisions of this Section 1005 if they are prevented or restricted in doing so by the terms of any loan or financing agreement, any charter document or any other agreement or instrument.

Section 1006. Payment of Taxes and Other Claims.

The Company shall pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (1) all taxes, assessments and governmental charges levied or imposed upon the Company or any of its Restricted Subsidiaries or upon the income, profits or property of the Company or any of its Restricted Subsidiaries, and (2) all lawful claims for labor, materials and supplies that, if unpaid, might by law become a Lien upon the property of the Company or any of its Restricted Subsidiaries; provided that the Company shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings and for which disputed amounts adequate reserves have been accrued to the extent required by GAAP.

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Section 1007. Maintenance of Insurance.

The Company shall, and shall cause its Restricted Subsidiaries and the Eligible Joint Ventures to, keep at all times all of their Properties that are of an insurable nature insured against loss or damage with insurers believed by the Company to be responsible to the extent that Property of similar character is usually so insured by Persons similarly situated and owning like Properties in accordance with good business practice. The Company shall, and shall cause its Restricted Subsidiaries and the Eligible Joint Ventures to, use the proceeds from any such insurance policy to repair, replace or otherwise restore all material Properties to which such proceeds relate, provided that the Company shall not be required to repair, replace or otherwise restore any such material Property if the Board of Directors in good faith determines that such inaction is desirable in the conduct of the business of the Company or any Restricted Subsidiary and not disadvantageous in any material respect to the Holders, and provided further that the Restricted Subsidiaries and the Eligible Joint Ventures of the Company shall not be required to apply insurance proceeds to repair, replace or restore any material Property if they are prevented or restricted in doing so by the terms of any loan or financing agreement, any charter document or any other agreement or instrument.

The Company may adopt such other plan or method of protection, in lieu of or supplemental to insurance with insurers, whether by the establishment of an insurance fund or reserve to be held and applied to make good losses from casualties, or otherwise, conforming to the system of self-insurance maintained by corporations similarly situated and owning like Properties and not disadvantageous to the Holders in any material respect, as may be determined by the Board of Directors in good faith.

Section 1008. Limitation on Debt.

(a) The Company shall not Incur any Debt, including Acquisition Debt, unless, after giving effect to the Incurrence of such Debt and the receipt and application

of the proceeds therefrom, the Fixed Charge Ratio of the Company would be equal to or greater than 2.0 to 1.

(b) Notwithstanding the provisions of Section 1008(a), the Company may Incur each and all of the following: (i) Company Refinancing Debt, (ii) Debt of the Company to any of its Restricted Subsidiaries or any Eligible Joint

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Venture that is expressly subordinated in right of payment to the Securities, provided that any transfer of such Debt by a Restricted Subsidiary or an Eligible Joint Venture (other than to another Restricted Subsidiary or another Eligible Joint Venture), or any transfer of the Company's ownership interest, or a portion thereof, in such Restricted Subsidiary or such Eligible Joint Venture or the interest, or a portion thereof, of Kiewit in a Permitted Joint Venture or an Eligible Joint Venture (which transfer has the effect of causing such Restricted Subsidiary or such Eligible Joint Venture to cease to be a Restricted Subsidiary or an Eligible Joint Venture, as the case may be), shall be deemed to be an Incurrence of Debt that is subject to the provisions of this Section 1008 other than this clause (ii), (iii) Debt in an aggregate principal amount not to exceed $50 million outstanding at any one time may be issued under or in respect of Permitted Working Capital Facilities, (iv) Non-Recourse Debt Incurred in respect of a Permitted Facility in which the Company has a direct interest, (v) Debt in respect of Currency Protection Agreements or Interest Rate Protection Agreements, (vi) Purchase Money Debt, provided that the amount of such Debt (net of any original issue discount) does not exceed 90% of the fair market value of the Property acquired, (vii) the Securities and other Debt outstanding as of the Issue Date of the Securities (other than Debt to the extent that it is extinguished, retired, defeased or repaid in connection with the original issuance of the Securities), including Debt that is Incurred in respect of interest or discount on such Debt (or Redeemable Stock issued as dividends in respect of Redeemable Stock) pursuant to the terms of the agreement or instrument that governs such Debt (or such Redeemable Stock) as in effect on the Issue Date of the Securities and (viii) Debt in an aggregate principal amount not to exceed $50 million outstanding at any one time.

Section 1009. Limitation on Subsidiary Debt.

(a) The Company shall not permit any of its Restricted Subsidiaries or any Eligible Joint Venture, to Incur any Debt.

(b) Notwithstanding the provisions of Section 1009(a), each and all of the following Debt may be Incurred by a Restricted Subsidiary or an Eligible Joint Venture: (i) Debt outstanding as of the Issue Date of the Securities, (ii) Debt owed by a Restricted Subsidiary or an Eligible Joint Venture to the Company or another Restricted Subsidiary of the Company or another Eligible Joint Venture that either directly or indirectly owns all or a portion of the Company's interest in, or directly or indirectly is owned by, such Restricted Subsidiary or such Eligible Joint Venture, as the case may be, and that does not own any Permitted Facility or a direct or indirect interest therein, other than the Permitted Facility or any other Permitted Facility that is located on the same localized geothermal reservoir or a direct or indirect interest therein owned by such Restricted Subsidiary or Eligible Joint Venture, (iii) Non-Recourse Debt Incurred in respect of a Permitted Facility in which such Restricted Subsidiary or such Eligible Joint

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Venture has a direct or indirect interest (which may include Construction Financing provided by the Company to the extent permitted under Section 1010 as a "Permitted Investment"), (iv) Subsidiary Refinancing Debt, (v) Acquired Debt, (vi) Debt in respect of Currency Protection Agreements or Interest Rate Protection Agreements and (vii) Permitted Funding Company Loans.

Section 1010. Limitation on Restricted Payments.

(a) The Company shall not, and shall not permit any of its Restricted Subsidiaries or any Eligible Joint Venture to, directly or indirectly, make any Restricted Payment unless at the time of such Restricted Payment and after giving effect thereto (a) no Event of Default and no event that, after the giving of notice or lapse of time or both, would become an Event of Default, has occurred and is continuing, (b) the Company could Incur at least $1 of Debt under Section 1008(a) and (c) the aggregate amount of all Restricted Payments made by the

Company, its Restricted Subsidiaries and the Eligible Joint Ventures (the amount so made, if other than in cash, to be determined in good faith by the Chief Financial Officer, as evidenced by an Officers' Certificate, or, if more than $15 million, by the Board of Directors, as evidenced by a Board resolution) after the Issue Date of the Securities, is less than the sum (without duplication) of (i) 50% of the Adjusted Consolidated Net Income of the Company for the period (taken as one accounting period) beginning on the first day of the first fiscal quarter that begins after the Issue Date of the Securities and ending on the last day of the fiscal quarter immediately prior to the date of such calculation, provided that if throughout any fiscal quarter within such period the Ratings Categories applicable to the Securities are rated Investment Grade by S&P and Moody's (or if both do not make a rating of the Securities publicly available, an equivalent Rating Category is made publicly available by another Rating Agency), then 75% (instead of 50%) of the Adjusted Consolidated Net Income (if more than zero) with respect to such fiscal quarter shall be included pursuant to this clause (i), and provided further that if Adjusted Consolidated Net Income for such period is less than zero, then minus 100% of the amount of such net loss, plus (ii) 100% of the aggregate net cash proceeds received by the Company from and after the Issue Date of the Securities from (A) the issuance and sale (other than to a Restricted Subsidiary or an Eligible Joint Venture) of its Capital Stock (excluding Redeemable Stock, but including Capital Stock other than Redeemable Stock issued upon conversion of, or in exchange for Redeemable Stock or securities other than its Capital Stock), (B) the issuance and sale or the exercise of warrants, options and rights to purchase its Capital Stock (other than Redeemable Stock) and (C) the issuance and sale of convertible Debt upon the conversion of such convertible Debt into Capital Stock (other than Redeemable Stock), but excluding the net proceeds from the issuance, sale, exchange, conversion or other disposition of

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its Capital Stock (I) that is convertible (whether at the option of the Company or the holder thereof or upon the happening of any event) into (x) any security other than its Capital Stock or (y) its Redeemable Stock or (II) that is Capital Stock referred to in clauses (ii) and (iii) of the definition of "Permitted

Payment", plus (iii) the net reduction in Investments of the types specified in clauses (iv) and (v) of the definition of "Restricted Payment" that result from payments of interest on Debt, dividends, or repayment of loans or advances, the proceeds of the sale or disposition of the Investment or other return of the amount of the original Investment to the Company, the Restricted Subsidiary or the Eligible Joint Venture that made the original Investment from the Person in which such Investment was made, provided that (x) the aggregate amount of such payments shall not exceed the amount of the original Investment by the Company or such Restricted Subsidiary that reduced the amount available pursuant to this clause (c) for making Restricted Payments and (y) such payments may be added pursuant to this clause (iii) only to the extent such payments are not included in the calculation of Adjusted Consolidated Net Income, provided further that if Investments of the types specified in clauses (iv) and (v) of the Definition of "Restricted Payment" have been made in any Person and such Person thereafter becomes a Restricted Subsidiary or an Eligible Joint Venture, then the aggregate amount of such Investment (to the extent that they have reduced the amount available pursuant to this clause (c) for making Restricted Payments), net of the amounts previously added pursuant to this clause (iii), may be added to the amount available for making Restricted Payments. The foregoing clause (c) shall not prevent the payment of any dividend within 60 days after the date of its declaration if such dividend could have been made on the date of its declaration without violation of the provisions of this Section 1010(a).

(b) None of the Company, any of its Restricted Subsidiaries or any Eligible Joint Venture shall be deemed to have made an Investment at the time that a Person that is a Restricted Subsidiary of the Company or an Eligible Joint Venture ceases to be a Restricted Subsidiary or an Eligible Joint Venture (other than as a result of a Restricted Subsidiary being designated as an Unrestricted Subsidiary), although any subsequent Investment made by the Company, its Restricted Subsidiaries and Eligible Joint Ventures in such Person shall be Investments that shall be subject to the foregoing paragraph unless and until such time as such Person becomes a Restricted

Subsidiary or an Eligible Joint Venture. Notwithstanding the foregoing, (i) the designation of a Restricted Subsidiary as an Unrestricted Subsidiary, in

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the manner provided in the definition of "Unrestricted Subsidiary," shall be an Investment that shall be subject to the foregoing paragraph and (ii) the transfer of the Company's interest (or portion thereof) in an entity that has been deemed to be an Eligible Joint Venture directly or indirectly to an Unrestricted Subsidiary shall be an Investment (to the extent of the interest transferred) that shall be subject to the foregoing paragraph.

Section 1011. Limitation on Transactions with Affiliates.

The Company shall not, and shall not permit any of its Restricted Subsidiaries or any Eligible Joint Venture to, directly or indirectly, conduct any business or enter into or permit to exist any transaction or series of related transactions (including, but not limited to, the purchase, sale or exchange of Property, the making of any Investment, the giving of any Guarantee or the rendering of any service) with any Affiliate of the Company, such Restricted Subsidiary or such Eligible Joint Venture, as the case may be, unless (i) such business, transaction or series of related transactions is in the best interest of the Company, such Restricted Subsidiary or such Eligible Joint Venture, (ii) such business, transaction or series of related transactions is on terms no less favorable to the Company, such Restricted Subsidiary or such Eligible Joint Venture than those that could be obtained in a comparable arm's length transaction with a Person that is not such an Affiliate and (iii) (a) with respect to such business, transaction or series of related transactions that has a fair market value or involves aggregate payments equal to, or in excess of, $10 million but less than $25 million, the Company delivers to the Trustee an Officers' Certificate certifying that, in good faith, it is such officer's belief that such business, transaction or series of related transactions complies with clauses (i) and (ii) above, and (b) with respect to such business, transaction or series of related transactions that has a fair market value or involves aggregate payments equal to, or in excess of, $25 million such business, transaction or series of transactions is approved

by a majority of the Board of Directors (including a majority of the Disinterested Directors), which approval is set forth in a Board Resolution delivered to the Trustee certifying that, in good faith, the Board of Directors believes that such business, transaction or series of transactions complies with clauses (i) and (ii) above.

Section 1012. Limitation on Liens.

The Company may not Incur any Debt that is secured, directly or indirectly, with, and the Company shall not, and shall not permit any of its Restricted Subsidiaries or any Eligible Joint Venture to, grant a Lien on the Property of the Company, its Restricted Subsidiaries or any Eligible Joint Venture now owned or hereafter acquired unless contemporaneous therewith or prior thereto the Securities are equally and ratably secured except for (i) any

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such Debt secured by Liens existing on the Property of any entity at the time such Property is acquired by the Company, any of its Restricted Subsidiaries or any Eligible Joint Venture, whether by merger, consolidation, purchase of such Property or otherwise, provided that such Liens (x) are not created, incurred or
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assumed in contemplation of such Property being acquired by the Company, any of its Restricted Subsidiaries or any Eligible Joint Venture and (y) do not extend to any other Property of the Company, any of its Restricted Subsidiaries or any Eligible Joint Venture, (ii) any other Debt that is required by the terms thereof to be equally and ratably secured as a result of the Incurrence of Debt that is permitted to be secured pursuant to another clause of this Section 1012, (iii) Liens that are granted in good faith to secure Debt (A) contemplated by clause (iv) of Section 1008(b) or (B) contemplated by clauses (ii), (iii) and (vi) of Section 1009(b), provided that, in the case of Debt owed to a Person
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other than the Company or a Restricted Subsidiary, the President or Chief Financial Officer of the Company determines in good faith, as evidenced by an Officers' Certificate, that such Liens are required in order to effect such financing and are not materially more restrictive, taken as a whole, than Liens, taken as a whole, customarily accepted (or in the absence of industry custom, reasonably acceptable) in comparable financings or comparable transactions

in the applicable jurisdiction, (iv) Liens existing on the Issue Date of the Securities, (v) Liens incurred to secure Debt incurred by the Company as permitted by clause (vi) of Section 1008(b), provided that such Liens may not
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cover any Property other than that being purchased, (vi) Liens on any Property of the Company securing Permitted Working Capital Facilities, Guarantees thereof and any Interest Rate Protection Agreements or Currency Protection Agreements, provided that such Liens may not extend to the Capital Stock owned
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by the Company in any Subsidiary of the Company or any Joint Venture, (vii) Liens in respect of extensions, renewals, refundings or refinancings of any Debt secured by the Liens referred to in the foregoing clauses, provided that
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the Liens in connection with such renewal, extension, refunding or refinancing shall be limited to all or part of the specific property that was subject to the original Lien, (viii) Liens incurred to secure obligations in respect of letters of credit, bankers' acceptances, surety, bid, operating and performance bonds, performance guarantees or other similar instruments or obligations (or reimbursement obligations with respect thereto)(in each case, to the extent incurred in the ordinary course of business), (ix) any Lien arising by reason of (A) any judgment, decree or order of any court, so long as such Lien is being contested in good faith and is appropriately bonded, and any appropriate legal proceedings that may have been duly initiated for the review of such judgment, decree or order have not been finally terminated or the period within which such proceedings may be initiated has not expired, (B) taxes, duties, assessments, imposts or other governmental charges that are not

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yet delinquent or are being contested in good faith, (C) security for payment of worker's compensation or other insurance, (D) security for the performance of tenders, contracts (other than contracts for the payment of money) or leases, (E) deposits to secure public or statutory obligations, or to secure permitted contracts for the purchase or sale of any currency entered into in the ordinary course of business, (F) the operation of law in favor of carriers, warehousemen, landlords, mechanics, materialmen, laborers, employees or suppliers, incurred in the ordinary course of business for sums that are not yet delinquent or are being contested in good faith by negotiations or by appropriate proceedings that suspend

the collection thereof, (G) easements, rights-of-way, zoning and similar covenants and restrictions and other similar encumbrances or title defects that do not in the aggregate materially interfere with the ordinary conduct of the business of the Company, any of its Restricted Subsidiaries or any Eligible Joint Venture or (H) leases and subleases of real property that do not interfere with the ordinary conduct of the business of the Company, any of its Restricted Subsidiaries or any Eligible Joint Venture and that are made on customary and usual terms applicable to similar properties, or (x) Liens, in addition to the foregoing, that secure obligations not in excess of $5 million in the aggregate.

Section 1013. Purchase of Securities Upon a Change of Control.

(a) Upon the occurrence of a Change of Control , each Holder of the Securities shall have the right to require that the Company repurchase such Holder's Securities at a purchase price in cash equal to 101% of the Accreted Value thereof on the date of purchase plus accrued interest, if any, to the date of purchase.

(b) Within 30 days following a Change of Control, the Company shall mail a notice to each Holder, with a copy to the Trustee, stating (1) that a Change of Control has occurred and that such Holder has the right to require the Company to purchase such Holder's Securities at the purchase price described in Section 1013(a) (the "Change of Control Offer"), (2) the circumstances and relevant facts regarding such Change of Control (including information with respect to pro forma historical income, cash flow and capitalization after giving effect to such Change of Control), (3) the purchase date (which shall be not earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Change of Control Purchase Date"), (4) that original issue discount on any Security not tendered or purchased shall continue to accrete until January 15, 1997, and thereafter interest on any such Security shall continue to accrue, (5) any Security properly tendered pursuant to the Change of Control Offer shall cease to accrete original issue discount or accrue interest, as

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the case may be, after the Change of Control Purchase Date (assuming sufficient moneys for the purchase thereof are deposited with the Trustee), (6) that Holders electing to have a Security purchased pursuant to a Change of Control Offer shall be required to surrender the Security, with the form entitled "Option of Holder To Elect Purchase" on the reverse of the Security completed, to the paying agent at the address specified in the notice prior to the close of business on the fifth Business Day prior to the Change of Control Purchase Date, (7) that a Holder shall be entitled to withdraw such Holder's election if the Paying Agent receives, not later than the close of business on the third Business Day (or such shorter periods as may be required by applicable law) preceding the Change of Control Purchase Date, a telegram, telex, facsimile transmission or letter setting forth the name of the Holder, the principal amount of Securities the Holder delivered for purchase, and a statement that such Holder is withdrawing his election to have such Securities purchased and (8) that Holders that elect to have their Securities purchased only in part shall be issued new Securities having a principal amount equal to the portion of the Securities that were surrendered but not tendered and purchased.

On the Change of Control Purchase Date, the Company shall (i) accept for payment all Securities or portions thereof tendered pursuant to the Change of Control Offer, (ii) deposit with the Trustee money sufficient to pay the purchase price of all Securities or portions thereof so tendered for purchase and (iii) deliver or cause to be delivered to the Trustee the Securities properly tendered together with an Officers' Certificate identifying the Securities or portions thereof tendered to the Company for purchase. The Trustee shall promptly mail, to the Holders of the Securities properly tendered and purchased, payment in an amount equal to the purchase price, and promptly authenticate and mail to each Holder a new Security having a principal amount equal to any portion of such Holder's Securities that were surrendered but not tendered and purchased. The Company shall publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Purchase Date.

If the Company is prohibited by applicable law from making the Change of Control Offer or purchasing Securities thereunder, the Company need not make a Change of Control Offer pursuant to this Section 1013 for so long as such prohibition is in effect.

The Company shall comply with all applicable tender offer rules, including, without limitation, Rule 14e-1 under the Exchange Act, in connection with a Change of Control Offer.

Section 1014. Limitation on Dividends and Other Payment Restrictions Affecting Subsidiaries.

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The Company shall not, and shall not permit any of its Restricted Subsidiaries or any Eligible Joint Venture to, create or cause to become, or as a result of the acquisition of any Person or Property, or upon any Person becoming a Restricted Subsidiary or an Eligible Joint Venture, remain subject to, any consensual encumbrance or consensual restriction of any kind on the ability of any Restricted Subsidiary or any Eligible Joint Venture to (a) pay dividends or make any other distributions permitted by applicable law on any Capital Stock of such Restricted Subsidiary or such Eligible Joint Venture owned by the Company, any other Restricted Subsidiary or any other Eligible Joint Venture, (b) make payments in respect of any Debt owed to the Company, any other Restricted Subsidiary of the Company or any Eligible Joint Venture, (c) make loans or advances to the Company or to any other Restricted Subsidiary of the Company or any other Eligible Joint Venture that is directly or indirectly owned by such Restricted Subsidiary or such Eligible Joint Venture or (d) transfer any of its Property to the Company or to any other Restricted Subsidiary or any other Eligible Joint Venture that directly or indirectly owns or is owned by such Restricted Subsidiary or such Eligible Joint Venture, other than those encumbrances and restrictions created or existing (i) on the Issue Date of the Securities, (ii) pursuant to this Indenture, (iii) in connection with the Incurrence of any Debt permitted under the provisions described in clause (iii) of Section 1009(b), provided that,
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in the case of Debt owed to Persons other than the

Company, its Restricted Subsidiaries and any Eligible Joint Venture, the President or the Chief Financial Officer of the Company determines in good faith, as evidenced by an Officers' Certificate, that such encumbrances or restrictions are required to effect such financing and are not materially more restrictive, taken as a whole, on the ability of the applicable Restricted Subsidiary or the applicable Eligible Joint Venture to make the payments, distributions, loans, advances or transfers referred to in clauses (a) through (d) of this Section 1014 than encumbrances and restrictions, taken as a whole, customarily accepted (or, in the absence of any industry custom, reasonably acceptable) in comparable financings or comparable transactions in the applicable jurisdiction, (iv) in connection with the execution and delivery of an electric power or thermal energy purchase contract, or other contract related to the output or product of, or services rendered by a Permitted Facility, to which such Restricted Subsidiary or such Eligible Joint Venture is the supplying party or other contracts with customers, suppliers and contractors to which such Restricted Subsidiary or such Eligible Joint Venture is a party and where such Restricted Subsidiary or such Eligible Joint Venture is engaged, directly or indirectly, in the development, design, engineering, procurement, construction, acquisition, ownership, management or operation of such Permitted Facility, provided that the President or the Chief Financial
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Officer of the Company determines in good faith, as evidenced by an Officers' Certificate, that such encumbrances or restrictions are required to effect such contracts and are not materially more restrictive, taken as a whole, on

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the ability of the applicable Restricted Subsidiary or the applicable Eligible Joint Venture to make the payments, distributions, loans, advances or transfers referred to in clauses (a) through (d) of this Section 1014 than encumbrances and restrictions, taken as a whole, customarily accepted (or, in the absence of any industry custom, reasonably acceptable) in comparable financings or comparable transactions in the applicable jurisdiction, (v) in connection with any Acquired Debt, provided that such encumbrance or restriction was not incurred in contemplation of such Person becoming a Restricted Subsidiary or an Eligible Joint Venture and provided further that such encumbrance or restriction does not extend to any other Property of

such Person at the time it became a Restricted Subsidiary or an Eligible Joint Venture, (vi) in connection with the Incurrence of any Debt permitted under clause (iv) of Section 1009(b), provided that, in the case of Debt owed to Persons other than the Company and its Restricted Subsidiaries, the President or the Chief Financial Officer of the Company determines in good faith, as evidenced by an Officers' Certificate, that such encumbrances or restrictions taken as a whole are not materially more restrictive than the encumbrances and restrictions applicable to the Debt and/or equity being exchanged or refinanced, (vii) customary non-assignment provisions in leases or other contracts entered into in the ordinary course of business of the Company, any Restricted Subsidiary or any Eligible Joint Venture, (viii) any restrictions imposed pursuant to an agreement entered into for the sale or disposition of all or substantially all of the Capital Stock or Property of any Restricted Subsidiary or Joint Venture that apply pending the closing of such sale or disposition, (ix) in connection with Liens on the Property of such Restricted Subsidiary or such Eligible Joint Venture that are permitted by Section 1012 but only with respect to transfers referred to in clause (d) of this Section 1014 or (x) in connection with the Incurrence of any Debt permitted under clause (ii) of Section 1009(b).

Section 1015. Limitation on Dispositions.

(a) Subject to the provisions of Article Eight, the Company shall not make and shall not permit any of its Restricted Subsidiaries or any Eligible Joint Venture to make, any Asset Disposition unless (i) the Company, the Restricted Subsidiary or the Eligible Joint Venture, as the case may be, receives consideration at the time of each such Asset Disposition at least equal to the fair market value of the Property or securities sold or otherwise disposed of (to be determined in good faith by the Chief Financial Officer, as evidenced by an Officers' Certificate, or, if more than $15 million, by the Board of Directors, as evidenced by a Board resolution), (ii) at least 85% of such consideration is received in cash or Cash Equivalents or, if less than 85%, the remainder of such consideration consists of Property related to the business of the Company as described in the first sen-

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tence of Section 1022, and (iii) unless otherwise required under the terms of Senior Debt, at the Company's election, the Net Cash Proceeds are either (A) invested in the business of the Company, any of its Restricted Subsidiaries or any Eligible Joint Venture or (B) applied to the payment of any Debt of the Company or of any of its Restricted Subsidiaries or any Eligible Joint Venture (or as otherwise required under the terms of such Debt), provided that, no
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such payment of Debt (x) under Permitted Working Capital Facilities or any other revolving credit agreement shall count for this purpose unless the related loan commitment, standby facility or the like shall be permanently reduced by an amount equal to the principal amount so repaid and (y) owed to the Company, a Restricted Subsidiary thereof or an Eligible Joint Venture shall count for this purpose, provided further that such investment or
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such payment, as the case may be, must be made within 365 days from the later of the date of such Asset Disposition or the receipt by the Company, such Restricted Subsidiary or such Eligible Joint Venture of the Net Cash Proceeds related thereto. Any Net Cash Proceeds from Asset Dispositions that are not applied as provided in clause (A) or (B) of the preceding sentence shall constitute "Excess Proceeds." Excess Proceeds shall be applied, as described below, to make an offer (an "Excess Proceeds Offer") to purchase Securities at a purchase price equal to 100% of Accreted Value thereof, plus accrued interest, if any, to the date of purchase.

(b) Notwithstanding the provisions of Section 1015(a), the Company, its Restricted Subsidiaries and the Eligible Joint Ventures may exchange with other Persons (i) Property that constitutes a Restricted Subsidiary or an Eligible Joint Venture for Property that constitutes a Restricted Subsidiary or an Eligible Joint Venture, (ii) Property that constitutes a Restricted Subsidiary or an Eligible Joint Venture for Property that does not constitute a Restricted Subsidiary or an Eligible Joint Venture, (iii) Property that does not constitute a Restricted Subsidiary or an Eligible Joint Venture for Property that does not constitute a Restricted Subsidiary or an Eligible Joint Venture and (iv) Property that does not constitute a Restricted Subsidiary or an Eligible Joint Venture for Property that constitutes a

Restricted Subsidiary or an Eligible Joint Venture, provided that in each case
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the fair market value of the Property received is at least equal to the fair market value of the Property exchanged as determined in good faith by the Chief Financial Officer, as evidenced by an Officers' Certificate, or, if more than $25 million, by the Board of Directors, as evidenced by a Board resolution, provided that the Investment in the Property received in the exchanges
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described in clauses (ii) and (iii) of the prior sentence shall be subject to Section 1010. Notwithstanding anything in the foregoing to the contrary, the Company may not, and shall not permit any of its Restricted Subsidiaries or any Eligible Joint Venture to, make an Asset Disposition of any of their interest in, or Property of, any of the three geothermal facilities located together at the Naval Weapons Center at China Lake, California, sometimes referred to as the "Coso Project," other than for consideration consisting solely of cash.

(c) To the extent that any or all of the Net Cash Proceeds of any Foreign Asset Disposition are prohibited from (or delayed in) being repatriated to the United States by applicable local law, the portion of such Net Cash Proceeds so affected shall not be required to be applied at the time provided above but may be retained by any Restricted Subsidiary or any Eligible Joint Venture so long, but only so long, as the applicable local law does not permit (or delays) repatriation to the United States. If such Net Cash Proceeds are transferred by the Restricted Subsidiary or Eligible Joint Venture that conducted the Foreign Asset Disposition to another Restricted Subsidiary or Eligible Joint Venture, the Restricted Subsidiary or Eligible Joint Venture receiving such Net Cash Proceeds must not be directly or indirectly obligated on any Debt owed to any Person other than the Company. The Company shall take or cause such Restricted Subsidiary or such Eligible Joint Venture to take all actions required by the applicable local law to permit such repatriation promptly. Once repatriation of any of such Net Cash Proceeds is permitted under the applicable local law, repatriation shall be effected immediately and the repatriated Net Cash Proceeds shall be applied in the manner set forth in this Section 1015(c) as if such Asset Disposition had occurred on the

date of such repatriation. In addition, if the Chief Financial Officer determines, in good faith, as evidenced by an Officers' Certificate, that repatriation of any or all of the Net Cash Proceeds of any Foreign Asset Disposition would have a material adverse tax consequence to the Company, the Net Cash Proceeds so affected may be retained outside of the United States by the applicable Restricted Subsidiary or the applicable Eligible Joint Venture for so long as such material adverse tax consequence would continue. Notwithstanding the foregoing provisions of this paragraph to the contrary, if applicable local law prohibits (or delays) the repatriation of Net Cash Proceeds of a Foreign Asset Disposition but such local law does not prohibit the application of such Net Cash Proceeds pursuant to the first sentence of this Section 1015(a), the Company may apply such Net Cash Proceeds pursuant to such provision.

(d) If the Securities tendered pursuant to an Excess Proceeds Offer have an aggregate purchase price that is less than the Excess Proceeds available for the purchase of the Securities, the Company may use the remaining Excess Proceeds for general corporate purposes without regard to the provisions of this Section 1015(d). The Company shall not be required to make an Excess Proceeds Offer pursuant to this Section 1015 if the Excess Proceeds available therefor are less than $10 million, provided that the lesser amounts of such

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Excess Proceeds shall be carried forward and cumulated for each 36 consecutive month period for purposes of determining whether an Excess Proceeds Offer is required with respect to any Excess Proceeds of any subsequent Asset Dispositions. Any such lesser amounts so carried forward and cumulated need not be segregated or reserved and may be used for general corporate purposes, provided that such use shall not reduce the amount of cumulated Excess Proceeds or relieve the Company of its obligation hereunder to make an Excess Proceeds Offer with respect thereto.

(e) The Company shall make an Excess Proceeds Offer by mailing to each Holder, with a copy to the Trustee, within 30 days after the receipt of Excess Proceeds that cause the cumulated Excess Proceeds to exceed $10 million, a written notice that shall specify the

purchase date, which shall not be less than 30 days nor more than 60 days after the date of such notice (the "Excess Proceeds Purchase Date"), that shall contain certain information concerning the business of the Company that the Company believes in good faith shall enable the Holders to make an informed decision and that shall contain information concerning the procedures applicable to the Excess Proceeds Offer (including, without limitation, the right of withdrawal) and the effect of such offer on the Securities tendered. Holders that elect to have their Securities purchased shall be required to surrender such Notes at least one Business Day prior to the Excess Proceeds Purchase Date. If at the expiration of the Excess Proceeds Offer period the aggregate purchase price of the Securities properly tendered by Holders pursuant to the Excess Proceeds Offer exceeds the amount of such Excess Proceeds, the Securities or portions of Securities to be accepted for purchase shall be selected by the Trustee in such manner as the Trustee deems to be fair and appropriate in the circumstances.

On the Excess Proceeds Purchase Date, the Company shall (i) accept for payment on a pro rata basis Securities or portions thereof tendered pursuant to the Excess Proceeds Offer, (ii) deposit with the Paying Agent money in immediately available funds sufficient to pay the aggregate purchase price of all the Securities or portions thereof so accepted and (iii) deliver to the Trustee Securities so accepted together with an Officers' Certificate stating the Securities or portions thereof tendered to the Company. The Paying Agent shall promptly mail to the Holders of each Security so accepted payment in an amount equal to the aggregate purchase price, and the Trustee shall promptly authenticate and mail to the Holders of each Security so accepted payment in an amount equal to the purchase price thereof, and the Trustee shall promptly authenticate and mail to such Holders new Securities equal in principal amount to any portion of the Security surrendered that was not purchased. The Company shall make a public announcement of the results of the Excess Proceeds Offer as soon as practicable after the Excess Proceeds Purchase Date. For the purposes of this Section 1015, the Trustee shall act as the Paying Agent.

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If the Company is prohibited by applicable law from making the Excess Proceeds Offer or purchasing Securities thereunder, the Company need not make an Excess Proceeds Offer pursuant to this Section 1015 for so long as such prohibition is in effect.

The Company shall comply with all applicable tender offer rules, including, without limitation, Rule 14e-1 under the Exchange Act, in connection with an Excess Proceeds Offer.

Section 1016. Limitation on Certain Sale-Leasebacks.

The Company shall not, and shall not permit any of its Restricted Subsidiaries or any Eligible Joint Venture to, Incur or otherwise become obligated with respect to any sale-leaseback (other than a sale-leaseback with respect to a Permitted Facility that is Non-Recourse) unless, (i) (a) if effected by the Company, the Company would be permitted to Incur such obligation under Section 1008 or, (b) if effected by a Restricted Subsidiary or an Eligible Joint Venture, such Restricted Subsidiary or such Eligible Joint Venture would be permitted to Incur such obligation under Section 1009(b), assuming for the purpose of this Section 1016 and Section 1008 and 1009 that (x) the obligation created by such sale-leaseback is a Capitalized Lease and (y) the Capitalized Lease Obligation with respect thereto is the Attributable Value thereof, (ii) the Company, such Restricted Subsidiary or such Eligible Joint Venture is permitted to grant a Lien with respect to the property that is the subject of such sale-leaseback under Section 1012 of this Indenture, (iii) the proceeds of such sale-leaseback are at least equal to the fair market value of the property sold (determined in good faith as evidenced by an Officers' Certificate delivered to the Trustee in respect of a transaction involving less than $25 million, or, if equal to or in excess of $25 million, by the Board of Directors, as evidenced by a Board Resolution) and (iv) the Net Cash Proceeds of the sale-leaseback are applied pursuant to Section 1015.

Section 1017. Provision of Financial Information.

Whether or not the Company is subject to Section 13(a) or 15(d) of the Exchange Act, or any successor provision thereto, the Company shall file with the Commission the annual reports, quarterly reports and other documents that the Company would have been required to file with the Commission pursuant to such Section 13(a) or 15(d) or any successor provision thereto if the Company were subject thereto, such documents to be filed with the Commission on or prior to the respective dates by which the Company would have been

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required to file them. The Company shall also in any event (a) within 15 days of each such date (i) transmit by mail to all Holders, as their names and addresses appear in the Security Register, without cost to such Holders, and (ii) file with the Trustee copies of the annual reports, quarterly reports and other documents (without exhibits) which the Company would have been required to file with the Commission pursuant to Section 13(a) or 15(d) of the Exchange Act or any successor provisions thereto if the Company were subject thereto and (b) if filing such documents by the Company with the Commission is not permitted under the Exchange Act, promptly upon written request, supply copies of such documents (without exhibits) to any prospective Holder.

Section 1018. Limitation on Sale of Subsidiary Preferred Stock.

The Company shall not permit any of its Restricted Subsidiaries or any Eligible Joint Venture to create, assume or otherwise cause or suffer to exist any Preferred Stock except: (i) Preferred Stock outstanding on the date of this Indenture, including Preferred Stock issued as dividends in respect of such Preferred Stock pursuant to the terms of the agreement or instrument that governs such Preferred Stock as in effect on the Issue Date of the Securities, (ii) Preferred Stock held by the Company, a Restricted Subsidiary of the Company or an Eligible Joint Venture, (iii) Preferred Stock issued by a Person prior to the time (a) such Person becomes a Restricted Subsidiary or an Eligible Joint Venture, (b) such Person merges with or into another Restricted Subsidiary or another Eligible Joint Venture or (c) a Restricted Subsidiary or an Eligible Joint Venture merges with or into such Person (in a transaction in which such

Person becomes a Restricted Subsidiary or an Eligible Joint Venture), provided that such Preferred Stock was not issued in anticipation of such Person becoming a Restricted Subsidiary or an Eligible Joint Venture or of such merger and (iv) Preferred Stock issued or agreed to be issued by a Restricted Subsidiary or an Eligible Joint Venture in connection with the financing of the construction, design, engineering, procurement, equipping, developing, operation, ownership, management, servicing or acquisition of a Permitted Facility or the retirement of Debt or Preferred Stock secured by such Permitted Facility or in order to enhance the repatriation of equity, advances or income or the increase of after-tax funds available for distribution to the owners of such Permitted Facility, (v) Preferred Stock issued or agreed to be issued by a Restricted Subsidiary or an Eligible Joint Venture in satisfaction of legal requirements applicable to a Permitted Facility or to maintain the ordinary course of conduct of such Restricted Subsidiary's or such Eligible Joint Venture's business in the applicable jurisdiction and (vi) Preferred Stock that is exchanged for, or the proceeds of which are used to refinance, any Preferred Stock permitted to be outstanding pursuant to clauses (i) through (v) hereof (or any extension, renewal or refinancing thereof), having a liquidation preference not to exceed the liquidation preference of the Preferred Stock so exchanged or refinanced and having a redemption period no

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shorter than the redemption period of the Preferred Stock so exchanged or refinanced.

Section 1019. Statement by Officers as to Default; Compliance Certificates.

(a) The Company shall deliver to the Trustee, within 120 days after the end of each fiscal year, an Officers' Certificate stating that a review of the activities of the Company, its Restricted Subsidiaries and the Eligible Joint Ventures (signed by a signatory prescribed under the Trust Indenture Act) during the preceding fiscal year has been made under the supervision of the signing Officers with a view to determining whether the Company has kept, observed, performed and fulfilled its obligations under this Indenture and whether the Restricted Subsidiaries and the Eligible Joint Ventures are in compliance with all covenants of this Indenture appli-

cable to them and further stating, as to each such Officer signing such certificate, that to the best of his knowledge each has kept, observed, performed and fulfilled each and every covenant contained in this Indenture and is not in default in the performance or observance of any of the terms, provisions, and conditions hereof (or, if a Default or Event of Default shall have occurred, describing all such Defaults or Events of Default of which he may have knowledge and what action each is taking or proposes to take with respect thereto).

(b) The Company shall, so long as any of the Securities are outstanding, deliver to the Trustee, forthwith upon any Officer becoming aware of (i) any Default or Event of Default or (ii) any event of default under any other mortgage, indenture or instrument referred to in Section 501(6), an Officers' Certificate specifying such Default, Event of Default or other event of default and what action the Company is taking or proposes to take with respect thereto.

Section 1020. Waiver of Certain Covenants.

The Company may omit in any particular instance to comply with any covenant or condition set forth in Section 801, provided pursuant to Section 901(2) and set forth in Sections 1004 to 1012, inclusive, Section 1014 and Sections 1016 through 1018, inclusive, and Section 1022 if before the time for such compliance the Holders of at least a majority in principal amount at Stated Maturity of the Outstanding Securities shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such covenant or condition, but no such waiver shall extend to or affect such covenant or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee in respect of any such covenant or condition shall remain in full force and effect.

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Section 1021. Company to Supply Information Concerning Original Issue Discount.

The Company shall provide to the Trustee on a timely basis such information as the Trustee requires to enable the Trustee to prepare and file any form required to be filed with the Internal Revenue Service or to the Holders of the Securities relating to original issue discount, including without limitation, Form 1099-OID or any successor form.

Section 1022. Limitation on Business.

The Company shall, and shall cause its Restricted Subsidiaries and the Eligible Joint Ventures to, engage only in (i) the ownership, design, engineering, procurement, construction, development, acquisition, operation, servicing, management or disposition of Permitted Facilities, (ii) the ownership, creation, development, acquisition, servicing, management or disposition of Restricted Subsidiaries and Joint Ventures that own, construct, develop, design, engineer, procure, acquire, operate, service, manage or dispose of Permitted Facilities, (iii) obtaining, arranging or providing financing incident to any of the foregoing and (iv) other related activities incident to any of the foregoing. The Company shall not, and shall not permit any of its Restricted Subsidiaries or any Eligible Joint Venture to, make any Investment or otherwise acquire any Property that is not directly related to the business of the Company as described in the preceding sentence (collectively, the "Ineligible Investments") other than as a part of an Investment or an acquisition of Property that is predominantly and directly related to the business of the Company as described above, and if the aggregate fair market value of such Ineligible Investments in the aggregate exceeds 10% (the "10% Limit") of the total assets of the Company and its consolidated Restricted Subsidiaries (as determined in accordance with GAAP) as determined in good faith by the Chief Financial Officer, as evidenced by an Officers' Certificate, the Company, its Restricted Subsidiaries and the Eligible Joint Ventures must cease acquiring any additional Ineligible Investments and, within 18 months of the acquisition that caused the Ineligible Assets to exceed the 10% Limit, must return to compliance with

the 10% Limit by disposing of Ineligible Assets or otherwise, provided that such 18-month period may be extended up to an additional six months if, despite the Company's active efforts during such 18-month period to dispose of such Ineligible Investments or to otherwise come into compliance with such 10% Limit, the Company is unable to do so because of regulatory restrictions or

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delays or adverse market conditions.

ARTICLE ELEVEN

Redemption of Securities

Section 1101. Right of Redemption.

The Securities may be redeemed at the election of the Company, in the amounts, at any time on or after January 15, 1999, at the Redemption Prices specified in the form of Security hereinbefore set forth (together with any applicable accrued and unpaid interest to the Redemption Date) and subject to the conditions specified in the form of Security hereinbefore set forth.

Section 1102. Applicability of Article.

Redemption of Securities at the election of the Company, as permitted by this Indenture and the provisions of the Securities, shall be made in accordance with such provisions and this Article Eleven.

Section 1103. Election to Redeem; Notice to Trustee.

The election of the Company to redeem any Securities pursuant to Section 1101 shall be evidenced by a Board Resolution. In case of any redemption at the election of the Company pursuant to Section 1101 of less than all the Securities, the Company shall, at least 60 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee of such Redemption Date and of the principal amount of Securities to be redeemed.

Section 1104. Selection by Trustee of Securities to Be Redeemed.

If less than all the outstanding Securities are to be redeemed, the Securities or portions of Securities to be redeemed or accepted shall be selected by the Trustee pro rata or otherwise in such manner as the Trustee deems to be fair and appropriate in the circumstances, provided that the Trustee shall redeem Securities only in denominations of $1,000 principal amount and integral multiples thereof.

The Trustee shall promptly notify the Company and each Security Registrar in writing of the Securities selected for redemption and, in the case of any Securities selected for partial redemption, the principal amount thereof to be redeemed.

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For all purposes of this Indenture and or the Securities, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Securities redeemed or to be redeemed only in part, to the portion of the principal amount of such Securities that has been or is to be redeemed.

Section 1105. Notice of Redemption.

Notice of redemption shall be given as provided in Section 106 not less than 30 nor more than 60 days prior to the Redemption Date, to each Holder of Securities to be redeemed.

All notices of redemption shall state:

(1) the Redemption Date,

(2) the Redemption Price,

(3) if less than all the Outstanding Securities are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the particular Securities to be redeemed, including CUSIP Numbers,

(4) that on the Redemption Date the Redemption Price shall become due and payable upon each such security to be redeemed and that, unless the Company shall default in the payment of the Redemption Price and any applicable accrued interest, (i) in the case of a Redemption Date on or after January 15, 1999, interest thereon shall cease to accrue on and after said Redemption Date and (ii) in the case of a Redemption Date prior to January 15, 1999, the Accreted Value thereof shall not increase after said Redemption Date, and

(5) the name of the Paying Agent or Agents and the place or places where such Securities are to be surrendered for payment of the Redemption Price.

Notice of redemption of Securities to be redeemed at the election of the Company 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 and shall be irrevocable.

Section 1106. Deposit of Redemption Price.

Prior to any Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or if the Company is acting as its own Paying Agent, segregate and hold in trust as provided in Section 1003) an amount of money sufficient to pay the Redemption Price of, and (except if the Redemption Date shall be an Interest Payment Date) any applicable accrued and unpaid

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interest on, all the Securities that are to be redeemed on that date.

Section 1107. Securities Payable on Redemption Date.

Notice of redemption having been given as aforesaid, the Securities so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Company shall default in the payment of the Redemption Price and any applicable accrued and unpaid interest) such Securities shall not bear interest and the Accreted Value of such Securities shall thereupon and thereafter conclusively be deemed to be their Accreted Value determined on and as of such Redemption Date and

shall not increase. Upon surrender of any such Security for redemption in accordance with said notice, such Security shall be paid by the Company at the Redemption Price, together with any applicable accrued and unpaid interest to the Redemption Date; provided that installments of interest whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such at the close of business on the relevant Record Dates according to their terms and the provisions of Section 307.

If any Security called for redemption in accordance with the election of the Company made pursuant to Section 1101 shall not be so paid upon surrender thereof for redemption, the unpaid Redemption Price thereof shall, until paid, bear interest or accrete from the Redemption Date at the rate or manner provided by the Security.

Section 1108. Securities Redeemed in Part.

Any Security that is to be redeemed only in part shall be surrendered at an office or agency of the Company designated for that purpose pursuant to Section 1002 (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing), and the Company shall execute, and the Trustee shall authenticate and deliver to the Holder of such Security without service charge, a new Security or Securities, of any authorized denomination as requested by such Holder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal amount of the Security so surrendered.

ARTICLE TWELVE

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Section 1201. Company's Option to Effect Defeasance or Covenant Defeasance.

The Company may elect, at its option at any time, to have Section 1202 or Section 1203 applied to the Outstanding Securities (as a whole and not in part) upon compliance with the conditions set forth below in this Article Twelve. Any such election shall be evidenced by a Board Resolution.

Section 1202. Defeasance and Discharge.

Upon the Company's exercise of its option to have this Section 1202 applied to the Outstanding Securities (as a whole and not in part), the Company shall be deemed to have been discharged from its obligations with respect to such Securities as provided in this Section 1202 on and after the 123rd day after the conditions set forth in Section 1204 are satisfied (hereinafter called "Defeasance") (or immediately if an Opinion of Counsel is delivered to the effect described in clause (C)(y) of paragraph (2) of Section 1204). For this purpose, such Defeasance means that the Company shall be deemed to have paid and discharged the entire indebtedness represented by such Securities and to have satisfied all its other obligations under such Securities and this Indenture insofar as such Securities are concerned (and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging the same), subject to the following which shall survive until otherwise terminated or discharged hereunder: (1) the rights of Holders of such Securities to receive, solely from the trust fund described in Section 1204 and as more fully set forth in such Section, payments in respect of the principal of and any premium and interest on such Securities when payments are due, (2) the Company's obligations with respect to such Securities under Sections 304, 305, 306, 1002, 1003 and 1004 (only with respect to the corporate existence and rights of the Company), (3) the rights, powers, trusts, duties and immunities of the Trustee under this Indenture, (4) Article Eleven and (5) this

Article Twelve. Subject to compliance with this Article Twelve, the Company may exercise its option to have this Section 1202 applied to the Outstanding Securities (as a whole and not in part) notwithstanding the prior exercise of its option to have Section 1203 applied to such Securities.

Section 1203. Covenant Defeasance.

Upon the Company's exercise of its option to have this Section applied to the Outstanding Securities (as a whole and not in part), (i) the Company, its Restricted Subsidiaries and its Eligible Joint Ventures shall be released from its obligations under Section 801(iii), Sections 1005 through 1018, inclusive, Section 1022, and any covenant provided pursuant to Section 901(2) and (ii) the

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occurrence of any event specified in Section 501(1) (solely with respect to Offers to Purchase), Section 501(3), Section 501(4) (with respect to any of Section 801(iii) and Sections 1005 through 1018, inclusive, Section 1022, and any such covenants provided pursuant to Section 901(2)), Section 501(5) or Section 501(6) shall be deemed not to be or result in an Event of Default, in each case with respect to such Securities as provided in this Section on and after the date the conditions set forth in Section 1204 are satisfied (hereinafter called "Covenant Defeasance"). For this purpose, such Covenant Defeasance means that, with respect to such Securities, the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such specified Section (to the extent so specified in the case of Sections 501(1) and 501(4)), whether directly or indirectly by reason of any reference elsewhere herein to any such Section or by reason of any reference in any such Section to any other provision herein or in any other document; but the remainder of this Indenture and such Securities shall be unaffected thereby.

Section 1204. Conditions to Defeasance or Covenant Defeasance.

The following shall be the conditions to the application of Section 1202 or Section 1203 to the Outstanding Securities:

(1) The Company shall irrevocably have deposited or caused to be deposited with the Trustee (or another trustee that satisfies the requirements contemplated by Section 609 and agrees to comply with the provisions of this Article applicable to it) as trust funds in trust for the purpose of making the following payments, specifically pledged as security for, and dedicated solely to the benefits of the Holders of such Securities, (A) money in an amount, or (B) U.S. Government Obligations that through the scheduled payment of principal and interest in respect thereof in accordance with their terms shall provide, not later than one day before the due date of any payment, money in an amount, or (C) a combination thereof, in each case sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge, and which shall be applied by the Trustee (or any such other qualifying trustee) to pay and discharge, the principal of, premium if any and any installment of accrued interest on such Securities on the respective Stated Maturities thereof or, if the Company makes arrangements satisfactory to the Trustee for the redemption of the Securities prior to their Stated Maturity, on any earlier Redemption Date, in accordance with the terms of this Indenture and such Securities.

(2) In the event of an election to have Section 1202 apply to the Outstanding Securities, the Company shall have delivered to the Trustee (A) either (X) an Opinion of Counsel to the effect that Holders shall not recognize income, gain or loss for federal income tax purposes as a result of such deposit, defeasance and discharge and shall be subject to federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit, defeasance and discharge had not occurred

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and the Company had paid or redeemed such Securities on the applicable dates, which Opinion of Counsel must be based upon a ruling of the Internal Revenue Service to the same effect or a change in applicable

federal income tax law or related Treasury regulations after the date of the Indenture or (y) a ruling directed to the Trustee or the Company received from the Internal Revenue Service to the same effect as the aforementioned Opinion of Counsel, (B) an Opinion of Counsel to the effect that the creation of the defeasance trust does not violate the Investment Company Act of 1940 and (C) an Opinion of Counsel to the effect that either (x) after the passage of 123 days following the deposit, the trust fund shall not be subject to the effect of Section 547 or 548 of the U.S. Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law or (y) based upon existing precedents, if the manner were properly briefed, a court should hold that the deposit of moneys and/or U.S. Government Obligations as provided in Section 1204(1) would not constitute a preference voidable under Section 547 or 548 of the U.S. Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law.

(3) In the event of an election to have Section 1203 apply to the Outstanding Securities, the Company shall have delivered to the Trustee (i) an Opinion of Counsel to the effect that the Holders of such Outstanding Securities shall not recognize income, gain or loss for Federal income tax purposes as a result of the deposit and Covenant Defeasance to be effected with respect to such Securities and shall be subject to Federal income tax on the same amount, in the same manner and at the same times as would be the case if such deposit and Covenant Defeasance were not to occur and the Company had paid or redeemed such Securities on the applicable dates, (ii) an Opinion of Counsel to the effect that the creation of the defeasance trust does not violate the Investment Company Act of 1940 and (iii) an Opinion of Counsel to the effect that either (x) after the passage of 123 days following the deposit, the trust fund shall not be subject to the effect of Section 547 or 548 of the U.S. Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law or (y) based upon existing precedents, if the manner were properly briefed, a court should hold that the deposit of moneys and/or U.S. Government Obligations as provided in Section 1204(1) would not constitute a preference voidable under Section 547 or 548 of the U.S. Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law.

(4) Immediately after giving effect to such deposit on a pro forma basis, no Default or Event of Default or event that after the giving of notice or lapse of time or both would become an Event of Default, with respect to the Outstanding Securities shall have occurred and be continuing at the time of such deposit or (unless an Opinion of Counsel is delivered to the effect described in Section 1204(2)(C)(y) or 1204(3)(iii)(y)) during the period ending on the 123rd

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day after the date of such deposit.

(5) Such Defeasance or Covenant Defeasance shall not cause the Trustee to have a conflicting interest within the meaning of the Trust Indenture Act (assuming all Securities are in default within the meaning of such Act).

(6) Such Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company is a party or by which it is bound.

(7) Such Defeasance or Covenant Defeasance shall not result in the trust arising from such deposit constituting an investment company within the meaning of the Investment Company Act of 1940, as amended, unless such trust shall be registered under such Act or exempt from registration thereunder.

(8) The Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent with respect to such Defeasance or Covenant Defeasance have been complied with.

(9) If the Securities are listed on a national securities exchange, the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that the Securities shall not be delisted as a result of such deposit, defeasance and discharge.

Section 1205. Deposited Money and U.S. Government Obligations to Be Held in Trust; Miscellaneous Provisions.

Subject to the provisions of the last paragraph of Section 1003, all money and U.S. Government Obligations (including the proceeds thereof) deposited with the Trustee or other qualifying trustee (solely for purposes of this Section 1205 and Section 1206, the Trustee and any such other trustee are referred to collectively as the "Trustee") pursuant to Section 1204 or otherwise in respect of the Outstanding Securities shall be held in trust and applied by the Trustee, in accordance with the provisions of such Securities and this Indenture, to the payment, either directly or through any such Paying Agent (other than the Company acting as its own Paying Agent) as the Trustee may determine, to the Holders of such Securities, of all sums due and to become due thereon in respect of principal and any premium and interest, but money so held in trust need not be segregated from other funds except to the extent required by law.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the U.S. Government Obligations deposited pursuant to Section 1204 or the principal and interest received in respect thereof other than any such tax, fee or other charge that by law is for the account of the Holders of Outstanding Securities.

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Anything in this Article Twelve to the contrary notwithstanding, the Trustee shall deliver or pay to the Company from time to time upon Company Request any money or U.S. Government Obligations held by it as provided in Section 1204 that, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, are in excess of the amount thereof that would then be required to be deposited to effect the Defeasance or Covenant Defeasance, as the case may be, with respect to the Outstanding Securities.

Section 1206. Reinstatement.

If the Trustee or the Paying Agent is unable to apply any money in accordance with this Article Twelve with respect to any Securities by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such applica-

tion, then the obligations under this Indenture and such Securities from which the Company has been discharged or released pursuant to Section 1202 or 1203 shall be revived and reinstated as though no deposit had occurred pursuant to this Article Twelve with respect to such Securities, until such time as the Trustee or Paying Agent is permitted to apply all money held in trust pursuant to Section 1205 with respect to such Securities in accordance with this Article Twelve; provided that if the Company makes any payment of principal
----
of or any premium or interest on any such Security following such reinstatement of its obligations, the Company shall be subrogated to the rights (if any) of the Holders of such Securities to receive such payment from the money so held in trust.

This instrument may be executed in any number of 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 instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

CALIFORNIA ENERGY COMPANY, INC.

By:

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Attest: Name:
Title:

- ------------------------

IBJ SCHRODER BANK & TRUST COMPANY

By:

Attest: Name:
Title:

- ------------------------

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

On the __th day of _____, 1994, before me personally came _____, to me known, who, being by me duly sworn, did depose and say that he is _____ of California Energy Company, Inc., one of the corporations described in and that executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation, and that he signed his name thereto by like authority.

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

On the ____ day of _____, 19__, before me personally came _____, to me known, who, being by me duly sworn, did depose and say that [he -- she] is _____ of IBJ Schroder Bank & Trust Company, one of the corporations described in and that executed the foregoing instrument; that [he -- she] knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by authority of the Board of Directors of said corporation, and that [he - -- she] signed [his -- her] name thereto by like authority.

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EXHIBIT A

PROMISSORY NOTE

Date of Issue: as of _____

FOR VALUE RECEIVED, the undersigned, [Borrower], a _____ corporation ("Borrower"), hereby promises to pay to the order of [Lender], a _____ corporation ("Lender"), $ _____ (the "Principal") and any interest accrued thereon, upon demand by the Lender at any time six months subsequent to the date on which the __% Senior Discount Notes due 2004 (the "Senior Notes") of California Energy Company, Inc. that were issued pursuant to an Indenture dated as of _____, 1994 between California Energy Company, Inc. and IBJ Schroeder Bank and Trust Company shall have been repaid in full or such earlier date as may be permitted under the terms of such Indenture.

Section 1 Accrual and Payment of Interest under this Promissory Note

(a) The Principal shall accrue interest from the date hereof at an annual rate (computed on the basis of a 360 day year) of ___% which, to the extent permitted by applicable law, shall be compounded semi-annually on each _____ and _____ and added to the Principal hereof.

Section 2 Subordination

Payment of Principal of and interest on this Promissory Note shall be subordinated to the fullest extent permitted by applicable law to the prior payment in full of the principal of, premium, if any, and interest on any other indebtedness for money borrowed of the Borrower, to the extent that the same is thus due and owing whether at its stated maturity, upon acceleration or otherwise.

Section 3 Notices

All notices required or permitted hereunder shall be given by telex where appropriate and confirmed in writing

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or by prepaid registered mail to the addresses of the parties set forth in this Section 3 or to such other address as either party shall duly specify by written notice to the other.

If to Borrower to:

If to Lender, to the trustee:

Section 4 No Waiver

No failure or delay of either party hereto exercise any power under this Promissory Note or to insist upon strict compliance by either party hereto of any obligations hereunder shall constitute a waiver of either party's rights to demand exact compliance with the terms hereof.

Section 5 Governing Law

This Promissory Note is made under and in accordance with the laws of the _____, and the rights of the parties in the construction and effect of each and every provision hereof shall be subject to the exclusive jurisdiction of and shall be construed and regulated according to the laws of _____.

[Borrower]

By

Name:
Title:

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EXHIBIT 5.1

WILLKIE FARR & GALLAGHER

March 18, 1994

California Energy Company, Inc.
10831 Old Mill Road
Omaha, Nebraska 68154

Ladies and Gentlemen:

We have acted as counsel to California Energy Company, Inc. (the "Company"), a corporation organized under the laws of the State of Delaware, in connection with the preparation of a Registration Statement on Form S-3 (Registration No. 33-52439) (as amended, the "Registration Statement") relating to the offer and sale of Senior Discount Notes due 2004 of the Company (the "Notes") to be issued under an Indenture (the "Indenture") to be entered into by the Company and IBJ Schroder Bank & Trust Company, as Trustee, and sold pursuant to the terms of an underwriting agreement to be executed by the Company and Lehman Brothers Inc., Salomon Brothers Inc, Donaldson, Lufkin & Jenrette Securities Corporation and Bear, Stearns & Co. Inc. (the "Underwriters").

We have examined copies of the Certificate of Incorporation and By-Laws of the Company, and the amendments thereto, the Registration Statement, all resolutions adopted by the Company's Board of Directors and other records and documents that we have deemed necessary for the purpose of this opinion. We have also examined such other documents, papers, statutes and authorities as we have deemed necessary to form a basis for the opinions hereinafter expressed.

In our examination, we have assumed the genuineness of all signatures and the conformity to original documents of all copies submitted to us. As to various questions of fact material to our opinions, we have relied on statements and certificates of officers and representatives of the Company and public officials.

Based upon and subject to the foregoing, we are of the opinion that:

1. The Notes have been duly authorized by all necessary corporate action of the Company, and when duly executed, authenticated and delivered by or on behalf of the Company and paid for by the Underwriters, will be valid and binding obligations of the Company and will be entitled to the benefits of the Indenture; and

2. The Indenture, when duly executed and delivered by the Company and the Trustee, will constitute a valid and binding instrument of the Company.

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We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to us in the Prospectus included as part of the Registration Statement.

Very truly yours,

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EXHIBIT 8.1

WILLKIE FARR & GALLAGHER

March 18, 1994

California Energy Company, Inc. 10831 Old Mill Road Omaha, Nebraska 68154

Ladies and Gentlemen:

We have acted as counsel to California Energy Company, Inc. (the "Company"), a corporation organized under the laws of the State of Delaware, in connection with the preparation of a Registration Statement on Form S-3 (Registration No. 33-52439) (as amended, the "Registration Statement") relating to the offer and sale of Senior Discount Notes due 2004 of the Company (the "Notes") to be issued under an Indenture to be entered into by the Company and IBJ Schroder Bank & Trust Company, as Trustee, and sold pursuant to the terms of an underwriting agreement to be executed by the Company and Lehman Brothers Inc., Salomon Brothers Inc, Donaldson, Lufkin & Jenrette Securities Corporation and Bear, Stearns & Co. Inc. (the "Underwriters"). We have been asked to provide an opinion concerning the anticipated material United States federal income tax consequences of the purchase, ownership and disposition of the Notes in support of the discussion that appears under the caption "Certain Federal Income Tax Considerations" in the Registration Statement (the "Tax Discussion").

We have examined copies of the Certificate of Incorporation and By-Laws of the Company, and the amendments thereto, the Registration Statement, all resolutions adopted by the Company's Board of Directors and other records and documents that we have deemed necessary for the purpose of this opinion. We have also examined such other documents, papers, statutes and authorities as we have deemed necessary to form a basis for the opinion hereinafter expressed.

In our examination, we have assumed the genuineness of all signatures and the conformity to original documents of all copies submitted to us. As to various questions of fact material to our opinion, we have relied on statements and certificates of officers and representatives of the Company and public officials.

Based on the foregoing, we are of the opinion that the anticipated material United States federal income tax consequences of the purchase, ownership and disposition of the Notes should be as described in the Tax Discussion, and we hereby incorporate such discussion as if it were set forth in full herein.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to us in the Prospectus included as part of the Registration Statement.

Very truly yours,

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EXHIBIT 23.1

INDEPENDENT AUDITORS' CONSENT AND REPORT ON SCHEDULES

To the Board of Directors and Stockholders
California Energy Company, Inc.
Omaha, Nebraska

We consent to the use in this Registration Statement of California Energy Company, Inc. on Form S-3 of our report dated February 24, 1994, appearing in the Prospectus, which is part of this Registration Statement, and to the reference to us under the heading "Experts" in such Prospectus.

Our audits of the financial statements referred to in our aforementioned report also included the financial statement schedules of California Energy Company, Inc., listed in Item 16. These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

Deloitte & Touche
Omaha, Nebraska

March 17, 1994

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EXHIBIT 27

FINANCIAL DATA SCHEDULE

ITEM 601(C) OF REGULATION S-K COMMERCIAL
AND INDUSTRIAL COMPANIES ARTICLE 5 OF REGULATION S-X

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>
<CAPTION>

ITEM NUMBER	ITEM DESCRIPTION	DECEMBER 31, 1993
<S>	<C>	<C>
5-02(1)	cash and cash items	127,756
5-02(1)	cash and cash items--joint ventures	14,943
5-02(1)	cash and cash items--restricted	48,105
5-02(2)	marketable securities	N/A
5-02(3)(a)(1)	notes and accounts receivable--trade	21,658
5-02(4)	allowances for doubtful accounts	N/A
5-02(6)	inventory	N/A
5-02(9)	total current assets	N/A
5-02(13)	property--power plant, net	458,974
5-02(13)	property--equipment, net	4,540
5-02(14)	accumulated depreciation--plant	67,813
5-02(14)	accumulated depreciation equipment	4,773
5-02(18)	total assets	715,984
5-02(21)	total current liabilities	N/A
5-02(22)	bonds and mortgages and similar debt--senior notes	35,730
5-02(22)	bonds and mortgages and similar debt--convertible debentures	100,000
5-02(28)	preferred stock--mandatory redemption	58,800
5-02(29)	preferred stock--no mandatory redemption	N/A
5-02(30)	common stock	2,404
5-02(31)	other stockholders' equity--additional paid-in capital	100,965
5-02(31)	other stockholders' equity--retained earnings	111,031
5-02(32)	total liabilities and stockholders' equity	715,984
5-03(b)1(a)	net sales of tangible products	132,059
5-03(b)1	total revenues	149,253
5-03(b)2(a)	cost of tangible goods sold	N/A
5-03(b)2	total costs and expenses applicable to sales and revenues--plant operations	25,362
5-03(b)3	other costs and expenses--general and administration	13,158
5-03(b)3	other costs--royalties	8,274
5-03(b)5	provision for doubtful accounts and notes	N/A
5-03(b)(8)	interest and amortization of debt discount	30,205
5-03(b)(8)	interest and amortization--capitalized	(6,816)
5-03(b)(10)	income before taxes and other items	61,258
5-03(b)(11)	income tax expense	18,184
5-03(b)(14)	income continuing operations	43,074
5-03(b)(15)	discontinued operations	N/A
5-03(b)(17)	extra ordinary items	N/A
5-03(b)(18)	cumulative effect--changes in accounting principle	4,100
5-03(b)(19)	net income	47,174
5-03(b)(20)	earnings per share primary	1.11
5-03(b)(20)	earnings per share fully diluted	1.11

</TABLE>

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