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EXECUTED IN 145 COUNTERPARTS OF WHICH THIS IS COUNTERPART No. 34

*Barris & Thornburg
600 1st Source Bank Center
160 N. Michigan
South Bend 46601*

Indenture Supplemental

TO

Mortgage and Deed of Trust

(Dated as of June 1, 1939)

EXECUTED BY

INDIANA & MICHIGAN ELECTRIC COMPANY

TO

IRVING TRUST COMPANY

AND

J. A. VAUGHAN (Successor Individual Trustee)
as Trustees

Dated as of July 1, 1986

First Mortgage Bonds, 9¾% Series due 2016

STATE OF INDIANA
LASS COUNTY
FILED FOR RECORD
JUL 1 11 32 AM '86
RUDOLPH CLAY
RECORDER

*46-00
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TABLE OF CONTENTS*

	<u>Page</u>
PARTIES.....	1
RECITALS	
Execution of Mortgage and supplemental indentures.....	1
Acquisition of property rights and property.....	2
Provision for issuance of bonds in one or more series.....	2
Right to execute supplemental indenture.....	3
First Mortgage Bonds heretofore issued in several series.....	3
Issue of new First Mortgage Bonds of the 27th Series.....	3
Form of fully registered bond of the 27th Series.....	4
Form of Corporate Trustee's Authentication Certificate.....	9
New Supplemental Indenture.....	10
Compliance with legal requirements.....	10
GRANTING CLAUSES.....	10
DESCRIPTION OF PROPERTY.....	10
APPURTENANCES, ETC.	11
HABENDUM.....	12
SUBJECT TO RESERVATIONS, ETC.....	12
GRANT IN TRUST.....	13
SEC. 1. Supplement to Section 20 of Original Indenture.....	13
Part XXVII— Covenant so long as bonds of the 27th Series remain outstanding.....	13
(1) Delivery of Treasurer's certificate.....	13
(2) Annual payments to Corporate Trustee.....	14
Withdrawal of cash deposited with Corporate Trustee.....	14
Election under clause (c) of Treasurer's certificate...	15
SEC. 2. Supplement to Original Indenture by adding Sec. 20 Z.....	15
Sec. 20 Z— "First Mortgage Bonds, 9¾% Series due 2016".....	15
Date of maturity.....	16
Interest rate.....	16
Redemption.....	17

* The Table of Contents shall not be deemed to be any part of the Indenture Supplemental to Mortgage and Deed of Trust.

not more than ninety days' previous notice given by mail to the registered holders of the bonds to be redeemed, all as provided in the Mortgage, (a) if redeemed otherwise than by the use or application of cash deposited pursuant to Section 20 of the Mortgage and otherwise than by the use of proceeds of released property or the proceeds of insurance, at an amount equal to a percentage of the principal amount thereof determined as set forth in the tabulation below under the heading "Regular Redemption Price" together in each case with accrued interest to the date fixed for redemption; provided, however, that none of the bonds of this series shall be redeemed at a regular redemption price prior to July 1, 1991 if such redemption is for the purpose or in anticipation of refunding such bond through the use, directly or indirectly, of funds borrowed by the Company at an effective interest cost to the Company (computed in accordance with generally accepted financial practice) of less than 9.82% per annum; or (b) if redeemed by the use or application of cash deposited pursuant to Section 20 of the Mortgage or by the use of proceeds of released property or the proceeds of insurance, at an amount equal to a percentage of the principal amount thereof determined as set forth in the tabulation below under the heading "Special Redemption Price" together in each case with accrued interest to the date fixed for redemption; provided, however, that the Company shall not be entitled to cause monies deposited pursuant to the maintenance and replacement provisions contained in Part II(a) of Section 20 of the Mortgage to be applied to the redemption at a special redemption price, in any calendar year, of bonds of this series pursuant to subdivision (3) of Section 61 of the Mortgage in a principal amount greater than (i) 1% of the greatest principal amount of the bonds of this series theretofore at any one time outstanding multiplied by the number of full twelve month periods between July 1, 1986 and the end of such calendar year less (ii) the principal amount of the bonds of this series previously redeemed at a special redemption price through the use or application of cash deposited pursuant to the maintenance and replacement provisions contained in Part II (a) of Section 20 of the Mortgage:

Year	Regular Redemption Price (If redeemed during the twelve months beginning July 1)	Special Redemption Price (If redeemed during the twelve months beginning July 1)	Year	Regular Redemption Price (If redeemed during the twelve months beginning July 1)	Special Redemption Price (If redeemed during the twelve months beginning July 1)
1986	109.75%	100.00%	2001	102.44%	100.00%
1987	109.27	100.00	2002	101.95	100.00
1988	108.78	100.00	2003	101.47	100.00
1989	108.29	100.00	2004	100.98	100.00
1990	107.80	100.00	2005	100.49	100.00
1991	107.32	100.00	2006	100.00	100.00
1992	106.83	100.00	2007	100.00	100.00
1993	106.34	100.00	2008	100.00	100.00
1994	105.85	100.00	2009	100.00	100.00
1995	105.37	100.00	2010	100.00	100.00
1996	104.88	100.00	2011	100.00	100.00
1997	104.39	100.00	2012	100.00	100.00
1998	103.90	100.00	2013	100.00	100.00
1999	103.42	100.00	2014	100.00	100.00
2000	102.93	100.00	2015	100.00	100.00

No recourse shall be had for the payment of the principal of or interest on this bond against any incorporator or any past, present or future stockholder, officer or director, as such, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, under any rule of law, statute or constitution or by the enforcement of any assessment or otherwise, all such liability of incorporators, stockholders, officers and directors, as such, being waived and released by the holder or owner hereof by the acceptance of this bond and being likewise waived and released by the terms of the Mortgage.

AND WHEREAS, each of the bonds of the 27th Series (whether in temporary or definitive form) is to bear a certificate of the Corporate Trustee substantially in the following form, to wit:

[FORM OF CORPORATE TRUSTEE'S AUTHENTICATION CERTIFICATE ON ALL BONDS OF THE 27TH SERIES]

CORPORATE TRUSTEE'S AUTHENTICATION CERTIFICATE

This bond is one of the bonds, of the series herein designated, described in the within-mentioned Mortgage.

IRVING TRUST COMPANY,
Corporate Trustee.

By
Authorized Officer.

AND WHEREAS, the Company, in the exercise of the powers and authorities conferred upon and reserved to it under and by virtue of the provisions of the Original Indenture, and pursuant to resolutions of its Board of Directors, has duly resolved and determined to make, execute and deliver to the Trustees a supplemental indenture, in the form hereof, for the purposes herein provided; and

WHEREAS, all conditions and requirements necessary to make this Supplemental Indenture (hereinafter sometimes referred to as the "New Supplemental Indenture") a valid, binding and legal instrument in accordance with its terms, have been done, performed and fulfilled, and the execution and delivery thereof have been in all respects duly authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

That Indiana & Michigan Electric Company, in consideration of the premises and of the sum of One Dollar (\$1.00) and other good and valuable consideration paid to it by the Trustees at or before the ensembling and delivery of these presents, the receipt whereof is hereby acknowledged, and in order to secure the payment of both the principal of and interest and premium, if any, on the bonds from time to time issued under and secured by the Original Indenture and this New Supplemental Indenture, according to their tenor and effect, and the performance of all the provisions of the Original Indenture and this New Supplemental Indenture (including any further indenture or indentures supplemental to the Original Indenture and any modification or alteration made as in the Original Indenture provided) and of said bonds, has granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over and confirmed, and by these presents doth grant, bargain, sell, release, convey, assign, transfer, mortgage, pledge, set over and confirm unto Irving Trust Company and J. A. Vaughan, as Trustees, and to their successor or successors in said trust, and to them and their assigns forever, all of the following described properties of the Company, that is to say: all property, real, personal and mixed, tangible and intangible owned by the Company on the date of the execution hereof, acquired since the execution and delivery of the 1933 Supplemental Indenture (except such property as is hereinafter expressly excepted from the lien and operation of this New Supplemental Indenture).

The property covered by the lien of the Original Indenture and this New Supplemental Indenture shall include particularly, among other prop-

erty, without prejudice to the generality of the language hereinbefore or hereinafter contained, all property, whether real, personal or mixed (except any hereinafter expressly excepted), and wheresoever situated, now owned by the Company and acquired since the execution and delivery of the 1983 Supplemental Indenture, including (without in any wise limiting or impairing by the enumeration of the same the scope and intent of the foregoing or of any general description contained in this New Supplemental Indenture) all lands, rights of way and roads; all water or riparian rights and interests therein; all dams and dam sites and rights; all plants for the generation of electricity, power houses, steam heat plants, hot water plants, substations, transmission lines, distributing systems and vehicles; all offices, buildings and structures, and the equipment thereof; all machinery, engines, boilers, turbines, dynamos, machines, regulators, meters, transformers, generators and motors; all appliances whether electrical or mechanical, conduits, cables and lines; all mains and pipes, whether for water, steam heat, or other purposes; all poles, wires, tools, implements, apparatus and furniture; all municipal franchises and other franchises and all permits, grants and consents; all lines for the transmission and/or distribution of electric current, steam heat or water for any purpose, including towers, poles, wires, cables, pipes, conduits and all apparatus for use in connection therewith; all real estate, lands, leases, leaseholds (excepting the last day of the term of each lease and leasehold); all easements, servitudes, licenses, permits, rights, powers, franchises, privileges, rights of way and other rights in or relating to real estate or the occupancy of the same and (except as hereinafter expressly excepted) all the right, title and interest of the Company in and to all other property of any kind or nature appertaining to and/or used and/or occupied and/or enjoyed in connection with any property hereinbefore described;

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in any wise appertaining to the aforesaid property or any part thereof, with the reversion and reversions, remainder and remainders and (subject to the provisions of Section 57 of the Original Indenture) the tolls, rents, revenues, issues, earnings, income, product and profits thereof, and all the estate, right, title and interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid property and franchises and every part and parcel thereof.

Provided that, in addition to the reservations and exceptions herein elsewhere contained, the following are not and are not intended to be granted, bargained, sold, warranted, released, conveyed, assigned, transferred, mortgaged, pledged, set over or confirmed hereunder and are hereby expressly excepted from the lien and operation of the Original Indenture and of this New Supplemental Indenture, viz: (1) cash, shares of stock and obligations (including bonds, notes and other securities) not hereafter specifically pledged, or deposited or delivered hereunder or under the Original Indenture or hereinafter or therein covenanted so to be; (2) goods, wares, merchandise, equipment, materials or supplies acquired for the purpose of sale or resale in the usual course of business or for consumption in the operation of any properties of the Company; (3) judgments, accounts and choses in action, the proceeds of which the Company is not obligated as provided in the Original Indenture or as hereinafter provided to deposit with the Corporate Trustee hereunder or thereunder; provided, however, that the properties and rights expressly excepted from the lien and operation of the Original Indenture and this New Supplemental Indenture in the above subdivisions (2) and (3) shall (to the extent permitted by law) cease to be so excepted, in the event that either or both of the Trustees or a receiver or trustee shall enter upon and take possession of the mortgaged and pledged property in the manner provided in Article XII of the Original Indenture by reason of the occurrence of a completed default, as defined in said Article XII.

TO HAVE AND TO HOLD all such properties, real, personal and mixed, granted, bargained, sold, warranted, released, conveyed, assigned, transferred, mortgaged, pledged, set over, or confirmed by the Company as aforesaid, or intended so to be, unto the Trustees and their successors in the trust.

SUBJECT, HOWEVER, to the reservations, exceptions, limitations and restrictions contained in the several deeds, leases, servitudes, franchises and contracts or other instruments through which the Company acquired and/or claims title to and/or enjoys the use of the aforesaid properties, including with respect to such of the aforesaid properties as shall be affected thereby, to the lien of the Mortgage and Deed of Trust dated as of December 1, 1975, as supplemented by the First Supplemental Indenture dated as of June 1, 1978, made and entered into by and between Indiana & Michigan Power Company (which was merged into the Company as of November 30, 1979)

and Manufacturers Hanover Trust Company, as Trustee, the performance and observance of which was assumed by the Company by the Second Supplemental Indenture, dated as of December 1, 1979, made and entered into by and between the Company and Manufacturers Hanover Trust Company, as Trustee, insofar as, and only insofar as, such lien affects such properties; and subject also to encumbrances of the character defined in Section 6 of the Original Indenture as "excepted encumbrances", insofar as the same may attach to any of the property embraced herein; and with respect to the bonds of the 27th Series, subject also to certain judgment liens in existence on the date first above written which may have priority under the laws of the State of Indiana over the lien hereof.

IN TRUST NEVERTHELESS, upon the terms and trusts in the Original Indenture and in this New Supplemental Indenture set forth, for the benefit and security of those who shall hold the bonds and coupons issued and to be issued hereunder and under the Original Indenture, or any of them, in accordance with the terms of the Original Indenture and of this New Supplemental Indenture, without preference, priority or distinction as to lien of any of said bonds or coupons over any others thereof by reason of priority in the time of issue or negotiation thereof, or otherwise howsoever, subject, however, to the conditions, provisions and covenants set forth in the Original Indenture and in this New Supplemental Indenture.

AND THIS INDENTURE FURTHER WITNESSETH:

That in further consideration of the premises and for the considerations aforesaid, the Company, for itself and its successors and assigns, hereby covenants and agrees to and with the Trustees, and their successor or successors in such trust, as follows:

SECTION I. Section 20 of the Original Indenture is hereby supplemented by adding at the end thereof the following new Part XXVII thereof as follows:

PART XXVII

The Company covenants that, so long as any of the bonds of the 27th Series remain outstanding, it will on or before May 1 of each year beginning with the year 1988 deliver to the Corporate Trustee:

(1) A Treasurer's certificate which shall state:

(a) the greatest principal amount of all bonds of the 27th Series theretofore at any one time outstanding; and

(b) the cost or then fair value to the Company (whichever is less) of any property additions which are not then funded property and which the Company elects to make the basis of a credit under this Part XXVII, and/or

(c) the aggregate principal amount of any bonds or fractions of a bond to the authentication and delivery of which the Company shall then be entitled under any of the provisions of this Indenture (other than on the basis of property additions or a deposit of cash), and which the Company elects not to have authenticated and delivered hereunder; and that the Company waives such right to the authentication and delivery of each such bond or fraction thereof and elects to make the waiver of such right the basis of a credit under this Part XXVII.

(2) An amount in cash and/or principal amount of bonds of the 27th Series equivalent to one per centum (1%) of the greatest principal amount of bonds of the 27th Series theretofore at any one time outstanding; provided, however, that there shall be credited against the amount of cash or bonds payable or deliverable pursuant to this paragraph (2) (i) sixty per centum (60%) of the cost or then fair value, whichever is less, of any property additions which shall be set forth pursuant to clause (b) of the Treasurer's certificate provided for by paragraph (1) of this Part XXVII and (ii) the principal amount of the bonds set forth pursuant to clause (c) of the Treasurer's certificate provided for by paragraph (1) of this Part XXVII. All cash deposited by the Company with the Corporate Trustee, pursuant to the provisions of this paragraph (2) may be withdrawn, used or applied in the manner, to the extent, for the purposes and subject to the conditions provided in Section 61 hereof, except that under the provisions of subdivision (1) thereof, such cash may be withdrawn only in an amount equal to one hundred per centum (100%) of the principal amount of each bond or fraction of a bond to the authentication and delivery of which the Company shall be entitled under any of the provisions of this Indenture (other than those contained in Section 30 hereof) and except that under the provisions of subdivisions (2) and (3) thereof, such cash may be applied only to the purchase or redemption of bonds of the 27th Series.

In case credit under the provisions of this Part XXVII is applied for in whole or in part upon the right to the authentication and delivery of bonds or upon the basis of property additions, the Company, except as otherwise in this Part XXVII of this Section provided, shall comply with all provisions of this Indenture which would be applicable upon the authentication and delivery of bonds, or which would be applicable if such property additions were made the basis of an application for the authentication of bonds thereon. In either such case the Company shall file with the Corporate Trustee appropriate documents evidencing compliance with all such applicable provisions; provided, however, that in no such case shall the Company be required to deliver to the Corporate Trustee any resolution or documents such as are described in subdivisions (1), (2), (6) and (9) of Section 28 or any opinion with respect to the authorization of the issuance of bonds of the Company by governmental authorities or by the Company or with respect to liens prior to the lien of this Indenture such as is described in clause (b) of subdivision (7) of Section 28 or to comply with any earnings requirements.

Any election under clause (c) of the Treasurer's certificate provided for by paragraph (1) of this Part XXVII, shall operate as a waiver by the Company of such right to the authentication and delivery of such bonds or fractions of a bond to the extent so elected and to such extent such bonds or fractions of a bond may not thereafter be authenticated and delivered hereunder.

Any bonds issued under this Indenture deposited with the Corporate Trustee, pursuant to the provisions of this Part XXVII, shall forthwith be canceled by the Corporate Trustee and, upon the request of the Company, the Corporate Trustee may destroy the same and deliver to the Company a certificate of such destruction.

All prior lien bonds deposited with the Corporate Trustee pursuant to the provisions of this Part XXVII, shall be held by the Corporate Trustee subject to the provisions of Article IX hereof.

SECTION 2. The Original Indenture is hereby supplemented by adding immediately after Section 20 Y, a new Section 20 Z, as follows:

SECTION 20 Z. The Company hereby creates a twenty-seventh series of bonds to be issued under and secured by this Indenture, to be

designated and to be distinguished from the bonds of all other series by the title "First Mortgage Bonds, 9¾% Series due 2016" (herein sometimes referred to as the "27th Series"). The form of the bonds of the 27th Series shall be substantially as set forth in the supplemental indenture creating the bonds of the 27th Series.

Bonds of the 27th Series shall mature on July 1, 2016, and shall be issued only as registered bonds without coupons in the denominations of \$1,000 and in any multiple or multiples of \$1,000 authorized by the Company; they shall bear interest at the rate of nine and three-quarters per centum per annum, payable semi-annually on January 1 and July 1 of each year; the principal of and interest on each said bond to be payable at the office or agency of the Company, in the Borough of Manhattan, The City of New York, in lawful money of the United States of America.

The person in whose name any bond of the 27th Series is registered at the close of business on any record date (as hereinbelow defined) with respect to any interest payment date shall be entitled to receive the interest payable on such interest payment date notwithstanding the cancellation of such bond of the 27th Series upon any transfer or exchange thereof (including any exchange effected as an incident to a partial redemption thereof) subsequent to the record date and prior to such interest payment date, except that, if and to the extent that the Company shall default in the payment of the interest due on such interest payment date, then the registered holders of bonds of the 27th Series on such record date shall have no further right to or claim in respect of such defaulted interest as such registered holders on such record date, and the persons entitled to receive payment of any defaulted interest thereafter payable or paid on any bonds of the 27th Series shall be the registered holders of such bonds of the 27th Series on the date of payment of such defaulted interest. The term "record date" as used in this Section 20Z, and in the form of the bonds of the 27th Series, with respect to any interest payment date applicable to the bonds of the 27th Series, shall mean the December 15 next preceding a January 1 interest payment date or the June 15 next preceding a July 1 interest payment date, as the case may be, or, if such December 15 or June 15 shall be a legal holiday or a day on which banking institutions

in the Borough of Manhattan, The City of New York, are authorized by law to close, the next preceding day which shall not be a legal holiday or a day on which such institutions are so authorized to close.

Except as provided in this Section 20Z, every bond of the 27th Series shall be dated as provided in Section 10 of this Indenture. However, so long as there is no existing default in the payment of interest on the bonds of the 27th Series, all bonds of the 27th Series authenticated by the Corporate Trustee between the record date for any interest payment date and such interest payment date shall be dated as of the day following such interest payment date and shall bear interest from such interest payment date; provided, however, that if and to the extent that the Company shall default in the interest due on such interest payment date, then any such bonds of the 27th Series shall bear interest from the January 1 or July 1, as the case may be, next preceding the date of such bond to which interest has been paid, unless such interest payment date is January 1, 1987, in which case from July 1, 1986.

Notwithstanding the provisions of Section 14 of this Indenture, the bonds of the 27th Series shall be executed on behalf of the Company by its Chairman of the Board, by its President or by one of its Vice Presidents or by one of its officers designated by the Board of Directors of the Company for such purpose, whose signature may be a facsimile, and its corporate seal shall be thereunto affixed or printed thereon and attested by its Secretary or one of its Assistant Secretaries, and the provisions of the penultimate sentence of said Section 14 shall be applicable to such bonds of the 27th Series.

Any or all of the bonds of the 27th Series shall be redeemable as set forth in the form of bonds of the 27th Series set forth in the supplemental indenture creating the bonds of the 27th Series.

The Company shall not be required to make transfers or exchanges of the bonds of the 27th Series for a period of sixteen days next preceding any selection of bonds of the 27th Series to be redeemed or to make transfers or exchanges of any bonds of the 27th Series designated in whole or in part for redemption. Notwithstanding the provisions of Section 12 of this Indenture, the Company shall not be required to make transfers or exchanges of bonds of the 27th Series for a period of sixteen days next preceding any interest payment date.

	<u>Page</u>
SEC. 3. Supplement to Original Indenture by adding Article III YY	18
Article III YY— Initial Issuance of Bonds of the 27th Series.....	18
Sec. 21 YY— Authentication and delivery of bonds of the 27th Series.....	18
SEC. 4. Supplement to Original Indenture by adding Article III ZZ	18
Article III ZZ— Dividend Restriction	19
Sec. 21 ZZ— Covenant so long as bonds of the 27th Series remain outstanding.....	19
SEC. 5. Extension of covenants in Part II(a) of Section 20 of Original Indenture and change of Applicable Percentage	20
SEC. 6. New Supplemental Indenture and Original Indenture to be construed as one instrument.....	21
Limitation on rights of others.....	21
Trustees assume no responsibility for correctness of recitals of fact.....	21
Execution in counterparts.....	21
TESTIMONIUM.....	22
SIGNATURES AND SEALS.....	22
ACKNOWLEDGMENTS	24

Registered bonds of the 27th Series shall be transferable upon presentation and surrender thereof, for cancellation, at the office or agency of the Company in the Borough of Manhattan, The City of New York, and at such other office or agency of the Company as the Company may designate, by the registered holders thereof, in person or by duly authorized attorney, in the manner and upon payment of the charges prescribed in this Indenture. In the manner and upon payment of the charges prescribed in this Indenture registered bonds of the 27th Series may be exchanged for a like aggregate principal amount of registered bonds of the 27th Series of other authorized denominations, upon presentation and surrender thereof, for cancellation, at the office or agency of the Company in the Borough of Manhattan, The City of New York and at such other office or agency of the Company as the Company may designate.

SECTION 3. *The Original Indenture is hereby supplemented by adding thereto the following new Article III YY to be added after Article III XX of the Original Indenture:*

ARTICLE III YY.

Initial Issuance of Bonds of the 27th Series.

SECTION 21 YY. In accordance with and upon compliance with such provisions of the Original Indenture as shall be selected for such purpose by the officers of the Company duly authorized to take such action, bonds of the 27th Series in an aggregate principal amount not exceeding \$100,000,000 shall forthwith be executed by the Company and delivered to the Corporate Trustee and shall be authenticated by the Corporate Trustee and delivered to or upon the order of the Company (without awaiting the filing and recording of the New Supplemental Indenture creating the 27th Series except to the extent required by Section 28 of this Indenture).

SECTION 4. *The Original Indenture is hereby supplemented by adding thereto the following new Article III ZZ, to be added after Article III YY of the Original Indenture:*

ARTICLE III ZZ.**Dividend Restriction.**

SECTION 21 ZZ. The Company covenants that, so long as any of the bonds of the 27th Series are outstanding, it will not declare any dividends (other than (a) a dividend payable solely in shares of its Common Stock, or (b) a dividend payable in cash in cases where, concurrently with the payment of such dividend, an amount in cash equal to such dividend is received by the Company as a capital contribution or as the proceeds of the issue and sale of shares of its Common Stock) or make any distribution on outstanding shares of its Common Stock or purchase or otherwise acquire for value any outstanding shares of its Common Stock (otherwise than in exchange for or out of the proceeds from the sale of other shares of its Common Stock) if, after such dividend, distribution, purchase or acquisition, the aggregate amount of such dividends, distributions, purchases and acquisitions paid or made subsequent to June 30, 1986 exceeds, without giving effect to (i) any of such dividends, distributions, purchases or acquisitions, or (ii) any net transfers from earned surplus to stated capital accounts, the sum of (a) the aggregate amount credited subsequent to June 30, 1986 to earned surplus, (b) \$140,000,000, and (c) such additional amount as shall be authorized or approved, upon application by the Company, by the Securities and Exchange Commission, or by any successor commission thereto, under the Public Utility Holding Company Act of 1935 or any legislation enacted in substitution therefor, or if no such legislation shall be in effect, by the Public Service Commission of Indiana or by any successor commission thereto.

For the purpose of this Section 21 ZZ the aggregate amount credited subsequent to June 30, 1986 to earned surplus shall be determined in accordance with good accounting practice after making provision for dividends upon any preferred stock of the Company, accumulated subsequent to such date, but in such determination there shall not be considered charges to earned surplus applicable to the period prior to July 1, 1986, including charges to earned surplus for write-offs or write-downs of book values of assets owned by the Company on June 30, 1986. There shall be included as a deduction, however, in determining the net balance to be transferred from the income account for any period subsequent to June 30, 1986, amounts equal to the sum of (1) amounts computed as provided in

subdivision (i) of clause (II) of Section 7 of this Indenture and (2) depreciation expense, which sum, for the purposes of this Section 21 ZZ, shall be not less than an amount computed at the rate of the Applicable Percentage from time to time in effect, as defined in Part II(a) of Section 20 of this Indenture, (A) for each calendar month subsequent to June 30, 1986 and prior to January 1, 1987 embraced within such period upon the average of the Depreciable Property, as defined in said Part II(a), at the close of business on June 30, 1986 and at the close of business on the last day of the last calendar month prior to January 1, 1987 included within such period, (B) for each full completed calendar year subsequent to December 31, 1986 embraced within such period upon the average of the amounts of Depreciable Property as of the opening of business on the first day and at the close of business on the last day of each such calendar year and (C) for each calendar month subsequent to December 31, 1986 embraced within such period which is not part of a completed calendar year, upon the average of the Depreciable Property at the close of business on the December 31 next preceding and at the close of business on the last day of the last calendar month included within such period; provided, however, that if such period ends not later than June 30 in any calendar year which has not been completed, such amount for such portion of such period as is subsequent to the latest December 31 shall be computed on the basis of the Depreciable Property as of the close of business on such latest December 31.

For the purpose of this Section 21 ZZ, depreciation expense shall be deemed to be the amount credited to the depreciation reserve account through charges to operating revenue deductions, or otherwise, as provided in the Uniform System of Accounts prescribed for Public Utilities and Licensees by the Federal Energy Regulatory Commission.

SECTION 5. The covenants in Part II(a) of Section 20 of the Original Indenture shall remain in effect so long as any of the bonds of the 27th Series are outstanding to the same extent as if the provisions of said Part II(a) of Section 20 were repeated in this New Supplemental Indenture with the words "27th Series" substituted in place of the words "1988 Series", each time such words appear in Part II(a) of Section 20 of the Original Indenture. Commencing with the date of this Supplemental Indenture, the term "Applicable Percentage", as used in Part II(a) of Section 20 of the Original Indenture, shall mean 2.95% or such other percentage as shall be authorized

or approved, upon application by the Company, by the Securities and Exchange Commission, or by any successor commission thereto, under the Public Utility Holding Company Act of 1935.

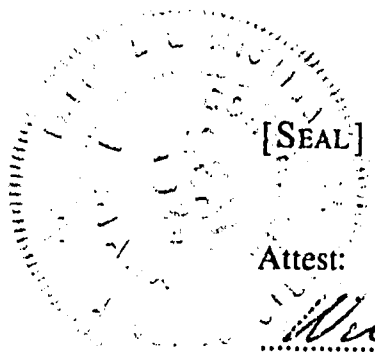
SECTION 6. As supplemented by this New Supplemental Indenture, the Original Indenture is in all respects ratified and confirmed and the Original Indenture and this New Supplemental Indenture shall be read, taken and construed as one and the same instrument.

Nothing in this New Supplemental Indenture contained shall, or shall be construed to, confer upon any person other than the holders of bonds issued under the Original Indenture and this New Supplemental Indenture, the Company and the Trustees, any right to avail themselves of any benefit of any provision of the Original Indenture or of this New Supplemental Indenture.

The Trustees, or either of them, assume no responsibility for the correctness of the recitals of facts contained herein and make no representations as to the validity of this New Supplemental Indenture.

This New Supplemental Indenture may be simultaneously executed in any number of counterparts, each of which when so executed shall be deemed to be an original; but such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, INDIANA & MICHIGAN ELECTRIC COMPANY, party of the first part, has caused this instrument to be signed in its name and behalf by its President, a Vice President or an Assistant Treasurer, and its corporate seal to be hereunto affixed and attested by an Assistant Secretary, and IRVING TRUST COMPANY, one of the parties of the second part, has caused this instrument to be signed in its name and behalf by a Vice President or an Assistant Vice President and its corporate seal to be hereunto affixed and attested by an Assistant Secretary, and J. A. VAUGHAN, one of the parties hereto of the second part, has hereunto set his hand and affixed his seal. Executed and delivered in The City of New York, N.Y., as of the day and year first above written.



[SEAL]

INDIANA & MICHIGAN ELECTRIC COMPANY

By B. M. Barber
(B. M. Barber)
Assistant Treasurer

Attest:

William C. Harvey
(William C. Harvey)
Assistant Secretary

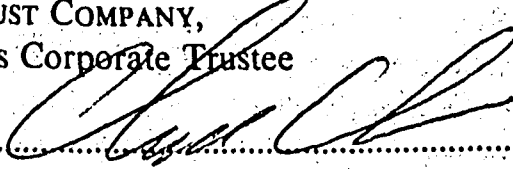
Signed, sealed and delivered by INDIANA & MICHIGAN ELECTRIC COMPANY in the presence of:

A. A. Pena
(A. A. Pena)

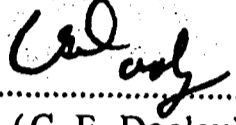
Gary D. Begeman
(Gary D. Begeman)

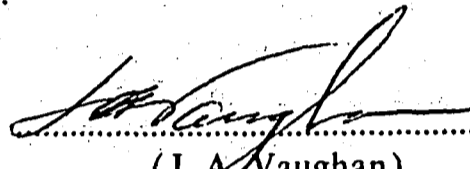
IRVING TRUST COMPANY,
as Corporate Trustee

[SEAL]

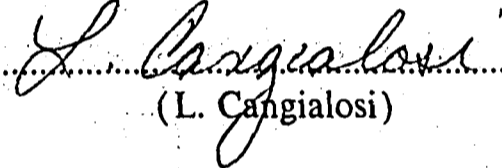
By 
(Clyde E. Starr)
Vice President

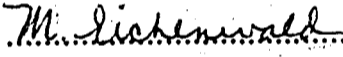
Attest:


.....
(C. E. Dooley)
Assistant Secretary


..... (I.S.)
(J. A. Vaughan)
as Individual Trustee

Signed, sealed and delivered by IRVING TRUST
COMPANY and J. A. VAUGHAN in the presence of:


.....
(L. Cangialosi)


.....
(M. Eichenwald)



STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

I certify that on this 27th day of June, 1986, before me, PATRICIA M. IRVIN, a Notary Public in and for said County and State, appeared B. M. BARBER, to me personally known and known to me to be an Assistant Treasurer of INDIANA & MICHIGAN ELECTRIC COMPANY and one of the persons whose name is signed to the foregoing instrument, who, being by me duly sworn, deposed and said that he resides in Grandview Heights, Ohio, that he is an Assistant Treasurer of INDIANA & MICHIGAN ELECTRIC COMPANY, that he knows the corporate seal of said corporation; that the seal affixed to the foregoing instrument is the corporate seal of the said corporation; that it was so affixed by order of said corporation, and that he signed his name as Assistant Treasurer of said corporation to said instrument by like order; and thereupon said B. M. BARBER acknowledged that he signed said instrument as his free and voluntary act and that said corporation executed said instrument as its free and voluntary act for the purposes and uses therein set forth.

IN WITNESS WHEREOF I have hereunto set my hand and official seal this 27th day of June, 1986.



Patricia M. Irvin
.....
PATRICIA M. IRVIN

Notary Public, State of New York
No. 41-4747732
Qualified in Queens County
Certificate Filed in New York County
Commission Expires March 30, 1987

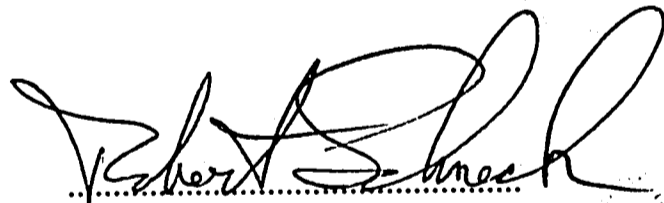
STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.:

I certify that on this 27th day of June, 1986, before me, ROBERT SCHNECK, a Notary Public in and for said County and State, appeared CLYDE E. STARR, to me personally known and known to me to be a Vice President of IRVING TRUST COMPANY and one of the persons whose name is signed to the foregoing instrument, who, being by me duly sworn, deposed and said that he resides in Staten Island, New York, that he is a Vice President of IRVING TRUST COMPANY, that he knows the corporate seal of said corporation; that the seal affixed to the foregoing instrument is the corporate seal of the said corporation; that it was so affixed by order of said corporation, and that he signed his name as Vice President of said corporation to said instrument by like order; and thereupon said CLYDE E. STARR acknowledged that he signed said instrument as his free and voluntary act and that said corporation executed said instrument, as Corporate Trustee, as its free and voluntary act for the purposes and uses therein set forth.

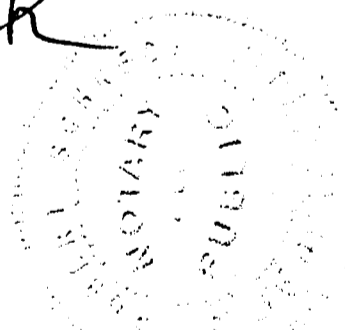
I certify that on this 27th day of June, 1986, before me, ROBERT SCHNECK, a Notary Public in and for said County and State, appeared J. A. VAUGHAN, to me personally known and known to be the individual whose name is signed to the foregoing instrument, who, being by me duly sworn, deposed and said that he resides in Massapequa, New York; and J. A. VAUGHAN acknowledged the execution of the foregoing instrument, as Individual Trustee, as his free and voluntary act for the purposes and uses therein set forth.

IN WITNESS WHEREOF I have hereunto set my hand and official seal this 27th day of June, 1986.

[SEAL]



ROBERT SCHNECK
Notary Public, State of New York
No. 4746935
Qualified in Nassau County
Certificate Filed in New York County
Commission Expires March 30, 1987



This instrument was drafted by William C. Harvey, whose business address is 1 Riverside Plaza, Columbus, Ohio 43215.

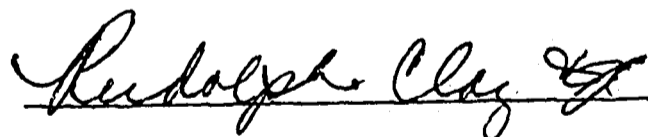
CERTIFICATE OF RECORDING

The undersigned hereby certifies that Counterpart No. 34 of an Indenture Supplemental (to a Mortgage and Deed of Trust dated as of June 1, 1939) executed by Indiana & Michigan Electric Company to Irving Trust Company and J. A. Vaughn (Successor Individual Trustee) as Trustees, dated as of July 1, 1986, was, as of July 1st, 1986:

Fully and accurately recorded as Document No. 861704 in the office of the undersigned Recorder in Real Estate Mortgage Record _____ at pages _____ to _____, both inclusive, and duly indexed.

All recording fees of said Indenture Supplemental have been paid in full.

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of my office this 1st day of July, 1986.



Recorder of Lake
County, Indiana

(Seal)

SUPPLEMENTAL INDENTURE, dated as of the first day of July, in the year One Thousand Nine Hundred and Eighty-Six, made and entered into by and between INDIANA & MICHIGAN ELECTRIC COMPANY, a corporation of the State of Indiana, with its principal executive office and place of business formerly located at 2101 Spy Run Avenue, Fort Wayne, Indiana 46801 and located at the date of this Supplemental Indenture at One Summit Square, Fort Wayne, Indiana 46801 (hereinafter sometimes called the "Company"), party of the first part, and IRVING TRUST COMPANY, a corporation of the State of New York, with its principal office at One Wall Street, New York, N.Y. 10015 (hereinafter sometimes called the "Corporate Trustee"), and J. A. VAUGHAN, whose address is 33 Massapequa Avenue, Massapequa, New York (hereinafter sometimes called the "Individual Trustee", such term, however, also referring to FREDERICK G. HERBST, RICHARD H. WEST, JAMES A. AUSTIN, E. J. MCCABE, and D. W. MAY, predecessor Individual Trustees, when used in relation to events occurring prior to December 16, 1985, the effective date of the appointment of J. A. VAUGHAN, as successor Individual Trustee), as Trustees, parties of the second part (the Corporate Trustee and the Individual Trustee being hereinafter sometimes called the "Trustees").

WHEREAS, the Company has heretofore executed and delivered its Mortgage and Deed of Trust, dated as of June 1, 1939, an Indenture Supplemental to Mortgage and Deed of Trust, dated as of September 1, 1948, an Indenture Supplemental to Mortgage and Deed of Trust, dated as of June 1, 1950, an Indenture Supplemental to Mortgage and Deed of Trust, dated as of January 1, 1952, an Indenture Supplemental to Mortgage and Deed of Trust, dated as of September 1, 1953, an Indenture Supplemental to Mortgage and Deed of Trust, dated as of October 1, 1954, an Indenture Supplemental to Mortgage and Deed of Trust, dated as of February 1, 1958, an Indenture Supplemental to Mortgage and Deed of Trust, dated as of November 1, 1958, an Indenture Supplemental to Mortgage and Deed of Trust, dated as of August 1, 1963, an Indenture Supplemental to Mortgage and Deed of Trust, dated as of May 1, 1968, an Indenture Supplemental to Mortgage and Deed of Trust, dated as of June 1, 1969, an Indenture Supplemental to Mortgage and Deed of Trust, dated as of April 1, 1970, an Indenture Supplemental to Mortgage and Deed of Trust, dated as of February 1, 1971, an Indenture Supplemental to Mortgage and Deed of Trust, dated as of December 1, 1973, an Indenture Supplemental to

Mortgage and Deed of Trust, dated as of June 1, 1974, an Indenture Supplemental to Mortgage and Deed of Trust, dated as of March 1, 1975, an Indenture Supplemental to Mortgage and Deed of Trust, dated as of September 1, 1975, an Indenture Supplemental to Mortgage and Deed of Trust, dated as of March 1, 1978, an Indenture Supplemental to Mortgage and Deed of Trust, dated as of January 1, 1979, an Indenture Supplemental to Mortgage and Deed of Trust, dated as of February 1, 1980, an Indenture Supplemental to Mortgage and Deed of Trust, dated as of June 1, 1980, an Indenture Supplemental to Mortgage and Deed of Trust, dated as of March 1, 1981, an Indenture Supplemental to Mortgage and Deed of Trust, dated as of November 1, 1981, an Indenture Supplemental to Mortgage and Deed of Trust, dated as of April 1, 1982, and an Indenture Supplemental to Mortgage and Deed of Trust, dated as of August 1, 1983 (hereinafter called the "1983 Supplemental Indenture") (the Mortgage and Deed of Trust, as amended and supplemented by said Supplemental Indentures, being hereinafter called the "Original Indenture"), to the Trustees for the security of all bonds of the Company outstanding thereunder, and by said Original Indenture conveyed to the Trustees, upon certain trusts, terms and conditions, and with and subject to certain provisos and covenants therein contained, all and singular the property, rights and franchises which the Company then owned or should thereafter acquire, excepting any property expressly excepted by the terms of the Original Indenture; and

WHEREAS, in addition to the property described in the Original Indenture, the Company has acquired certain property rights and property hereinafter described and has covenanted in Section 42 of the Original Indenture to execute and deliver such further instruments and do such further acts as may be necessary or proper to make subject to the lien thereof any property thereafter acquired and intended to be subject to such lien; and

WHEREAS, the Original Indenture provides that bonds issued thereunder may be issued in one or more series and further provides that, with respect to each series, the rate of interest, the date or dates of maturity, the dates for the payment of interest, the terms and rates of optional redemption, and other terms and conditions may be established prior to the issue of bonds of such series by an indenture supplemental to the Original Indenture; and

WHEREAS, Section 115 of the Original Indenture provides that any power, privilege or right expressly or impliedly reserved to or in any way conferred upon the Company by any provision of the Original Indenture, whether such power, privilege or right is in any way restricted or is unrestricted, may be in whole or in part waived or surrendered or subjected to any restriction if at the time unrestricted or to additional restriction if already restricted, and that the Company may enter into any further covenants, limitations or restrictions for the benefit of any one or more series of bonds issued under the Original Indenture and provides that a breach thereof shall be equivalent to a default under the Original Indenture, or the Company may cure any ambiguity or correct or supplement any defective or inconsistent provisions contained in the Original Indenture or in any indenture supplemental to the Original Indenture, by an instrument in writing, properly executed, and that the Trustees are authorized to join with the Company in the execution of any such instrument or instruments; and

WHEREAS, the Company has heretofore issued, from time to time, in accordance with the provisions of said Original Indenture bonds of the several series and in the respective principal amounts therein specified, and, of the bonds so issued, \$671,433,000 aggregate principal amount are outstanding as of the close of business on the date first above mentioned; and

WHEREAS, the Company, by appropriate corporate action in conformity with the terms of the Original Indenture, has duly determined to create a series of bonds under the Original Indenture to be entitled and designated as "First Mortgage Bonds, 9¾% Series due 2016" (herein sometimes referred to as the "bonds of the 27th Series"); and

WHEREAS, each of the bonds of the 27th Series is to be substantially in the following form, to wit:

[FORM OF BOND]

[FRONT]

INDIANA & MICHIGAN ELECTRIC COMPANY

FIRST MORTGAGE BOND,

No.

9 $\frac{3}{4}$ % Series due 2016

\$

Due July 1, 2016

INDIANA & MICHIGAN ELECTRIC COMPANY, a corporation of the State of Indiana (hereinafter called the Company), for value received, hereby promises to pay to _____, or registered assigns,

Dollars on July 1, 2016, at the office or agency of the Company in the Borough of Manhattan, The City of New York, in lawful money of the United States of America, and to pay interest thereon from July 1, 1986, or, if interest to any January 1 or July 1 has been paid, from the January 1 or July 1, as the case may be, next preceding the date hereof to which interest has been paid, at the rate of nine and three-quarters per centum per annum in like money, at said office or agency, on January 1 and July 1 in each year, until the Company's obligation with respect to the payment of such principal shall have been discharged.

The interest so payable on any January 1 or July 1 will, subject to certain exceptions provided in the Mortgage referred to on the reverse hereof, be paid to the person in whose name this bond is registered at the close of business on the December 15 preceding such January 1 or the June 15 preceding such July 1, as the case may be, or, if such December 15 or June 15 shall be a legal holiday or a day on which banking institutions in the Borough of Manhattan, The City of New York, are authorized by law to close, the next preceding day which shall not be a legal holiday or a day on which such institutions are so authorized to close.

This bond shall not become valid or obligatory for any purpose until IRVING TRUST COMPANY, the Corporate Trustee under the Mortgage, or its successor thereunder, shall have signed the form of authentication certificate endorsed hereon.

Reference is made to the further provisions of this bond set forth on the reverse hereof and such further provisions shall for all purposes have the same effect as though fully set forth at this place.

IN WITNESS WHEREOF, INDIANA & MICHIGAN ELECTRIC COMPANY has caused this bond to be executed in its name by the facsimile signature of its Chairman of the Board, its President or one of its Vice Presidents and its corporate seal, or a facsimile thereof, to be impressed or imprinted hereon and attested by the facsimile signature of its Secretary or one of its Assistant Secretaries.

Dated:

INDIANA & MICHIGAN ELECTRIC
COMPANY

By.....
(Title)

Attest:

.....
(Title)

[FORM OF BOND]

[REVERSE]

This bond is one of a duly authorized issue of bonds of the Company, issuable in series, and is one of a series known as its First Mortgage Bonds, of the series designated in its title. All bonds of all series issued and to be issued under and equally secured (except in so far as any sinking fund, established in accordance with the provisions of the Mortgage hereinafter mentioned, may afford additional security for the bonds of any particular series) by a Mortgage and Deed of Trust (herein, together with any indentures supplemental thereto, called the Mortgage), dated as of June 1, 1939, executed by the Company to IRVING TRUST COMPANY and FREDERICK G. HERBST (J. A. VAUGHAN, successor Individual Trustee), as Trustees, to which Mortgage reference is made for a description of the property mortgaged and pledged, the nature and extent of the security, the rights of the holders of the bonds and of the Trustees in respect thereof, the duties and immunities of the Trustees, and the terms and conditions upon which the bonds are secured. With the consent of the Company and to the extent permitted by and as provided in the Mortgage, the rights and obligations of the Company and/or of the holders of the bonds and/or coupons and/or the terms and provisions of the Mortgage and/or of any instruments supplemental thereto may be modified or altered by affirmative vote of the holders of at least seventy-five per centum (75%) in principal amount of the bonds affected by such modification or alteration, then outstanding under the Mortgage (excluding bonds disqualified from voting by reason of the Company's interest therein as provided in the Mortgage); provided that without the consent of the holder hereof no such modification or alteration shall permit the extension of the maturity of the principal of or interest on this bond or the reduction in the rate of interest hereon or any other modification in the terms of payment of such principal or interest or the creation of a lien on the mortgaged and pledged property ranking prior to or on a parity with the lien of the Mortgage or the deprivation of the holder hereof of a lien upon such property.

The principal hereof may be declared or may become due prior to the express date of the maturity hereof on the conditions, in the manner and at the time set forth in the Mortgage, upon the occurrence of a completed default as in the Mortgage provided.

The bonds of this series are issuable only as registered bonds without coupons in denominations of \$1,000 and authorized multiples thereof. This bond is transferable as prescribed in the Mortgage by the registered owner hereof in person, or by his duly authorized attorney, at the office or agency of the Company in the Borough of Manhattan, The City of New York, and at such other office or agency of the Company as the Company may designate, upon surrender and cancellation of this bond, and upon payment, if the Company shall require it, of the transfer charges prescribed in the Mortgage, and thereupon, a new registered bond or bonds of authorized denominations of the same series for a like principal amount will be issued to the transferee in exchange herefor as provided in the Mortgage. In the manner and upon payment of the charges prescribed in the Mortgage, registered bonds of this series may be exchanged for a like aggregate principal amount of registered bonds of other authorized denominations of the same series, upon presentation and surrender thereof, for cancellation, at the office or agency of the Company in the Borough of Manhattan, The City of New York, or at such other office or agency of the Company as the Company may designate. Subject to the provisions of the Mortgage, if this bond is surrendered for transfer or exchange between the record date for any interest payment date and such interest payment date, the new bond will be dated as of the day following such interest payment date.

The Company and the Trustees may deem and treat the person in whose name this bond is registered as the absolute owner hereof for the purpose of receiving payment of or on account of principal or (subject to the provisions on the face hereof) interest hereon and for all other purposes and the Company and the Trustees shall not be affected by any notice to the contrary.

The Company shall not be required to make transfers or exchanges of bonds of this series for a period of sixteen days next preceding any interest payment date, or next preceding any selection of bonds of this series to be redeemed, and the Company shall not be required to make transfers or exchanges of any bonds of this series designated for redemption in whole or in part.

Any or all of the bonds of this series shall be redeemable by the Company, at its option, or by operation of various provisions of the Mortgage, at any time and from time to time upon not less than thirty but