

100.96% if redeemed thereafter and on or before April 30, 1978
100.87% if redeemed thereafter and on or before April 30, 1979
100.78% if redeemed thereafter and on or before April 30, 1980
100.68% if redeemed thereafter and on or before April 30, 1981
100.57% if redeemed thereafter and on or before April 30, 1982
100.47% if redeemed thereafter and on or before April 30, 1983
100.36% if redeemed thereafter and on or before April 30, 1984
100.24% if redeemed thereafter and on or before April 30, 1985
100.00% if redeemed thereafter and prior to maturity,

together, in each case, with interest accrued thereon to the date fixed for redemption thereof.

SECTION 6. The aggregate principal amount of the bonds of the 1986 Series shall be unlimited.

SECTION 7. The place or places of payment (as to principal, premium, if any, and interest), redemption, transfer, exchange and registration of the bonds of the 1986 Series shall be the office or offices or the agency or agencies of the Company in the Borough of Manhattan, The City of New York, designated from time to time by the Board of Directors of the Company.

SECTION 8. The bonds of the 1986 Series and the coupons attached thereto, and the certificate of the Trustee to be endorsed on the bonds, are to be substantially in the forms following, respectively:

[FORM OF COUPON BOND OF THE 1986 SERIES]

DUKE POWER COMPANY

FIRST AND REFUNDING MORTGAGE BOND,

3 5/8% SERIES DUE 1986

Due May 1, 1986

\$1,000

No. HM.

Duke Power Company, a New Jersey corporation (hereinafter called the "Company"), for value received, acknowledges itself indebted and hereby promises to pay to the bearer, or, if this

bond be registered as to principal, to the registered owner hereof, on May 1, 1986, One Thousand Dollars, in any coin or currency of the United States of America which at the time of payment shall be legal tender for the payment of public and private debts, at the office or agency of the Company in the Borough of Manhattan, The City of New York, and to pay interest thereon from May 1, 1956, at the rate of three and five-eighths per cent. per annum, in like coin or currency, at said office or agency, semi-annually on May 1 and November 1 in each year, until the principal hereof becomes due and payable, payable until the maturity of said principal according to the tenor of the respective coupons here-to attached and only upon presentation and surrender thereof.

This bond is one of the bonds of a series, designated specially as First and Refunding Mortgage Bonds, 3 5/8% Series Due 1986, of an authorized issue of bonds of the Company, without limit as to aggregate principal amount, designated generally as First and Refunding Mortgage Bonds, all issued and to be issued under and equally and ratably secured by an indenture dated as of December 1, 1927, duly executed by the Company to Guaranty Trust Company of New York, as Trustee, as supplemented and modified by indentures supplemental thereto, including supplemental indentures dated as of September 1, 1947, February 1, 1949, April 1, 1951, and January 1, 1955, and a supplemental indenture dated as of May 1, 1956, providing for said series (said indenture as so supplemented and modified being hereinafter referred to as the "Indenture"), to which Indenture reference is made for a description of the property mortgaged, the nature and extent of the security, the rights of the holders of the bonds in respect thereof, the terms and conditions upon which the bonds are secured and the restrictions subject to which additional bonds secured thereby may be issued. To the extent permitted by, and as provided in, the Indenture, modifications or alterations of the Indenture, or of any indenture supplemental thereto, and of the rights and obligations of the Company and of the holders of the bonds and coupons may be made with the consent of the Company by the affirmative vote, or with the written consent, of the holders of not less than 66 2/3% in amount