

SECTION 4. The bonds of the 1995 Series are to be subject to redemption (otherwise than through the operation of the Replacement Fund provided in Part Two of this supplemental indenture or through the application of moneys paid to the Trustee pursuant to the provisions of § 5.05 of the Indenture) prior to maturity, at the option of the Company, as a whole at any time or in part from time to time, in principal amounts equal to \$1,000 or any multiple thereof, upon prior notice as hereinafter provided, at the redemption prices specified in the form of bond set forth in this supplemental indenture, together with interest accrued thereon to the date fixed for redemption thereof, provided, however, that prior to February 1, 1970, no bonds of the 1995 Series may be redeemed, if such redemption is a part of or in anticipation of any refunding operation involving the application, directly or indirectly, of borrowed funds having an interest rate or cost to the Company (calculated in accordance with generally accepted financial practice) of less than the interest rate of the bonds of the 1995 Series.

The bonds of the 1995 Series are also to be subject to redemption through the operation of the Replacement Fund provided in Part Two of this supplemental indenture or through the application of moneys paid to the Trustee pursuant to the provisions of § 5.05 of the Indenture, at any time or from time to time prior to maturity, upon prior notice as hereinafter provided, at the redemption prices specified in the form of bond set forth in this supplemental indenture, together with interest accrued thereon to the date fixed for redemption thereof.

All such redemptions of bonds of the 1995 Series shall be effected as provided in Article 3 of the Indenture except that notice to the holders of bonds to be redeemed shall be given by mailing to such holders a notice of such redemption, registered mail postage prepaid, not later than the thirtieth day, and not earlier than the sixtieth day, before the date fixed for redemption, at their last addresses as they shall appear upon the bond register of the Company. Any notice which is mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the holder receives such notice; and failure duly to give such notice by mail, or any defect in such notice, to the holder of any bond designated for redemption as a whole or in part shall not affect the validity of the proceedings for the redemption of any other bond. No publication of notice of such redemption shall be required.

SECTION 5. The aggregate principal amount of the bonds of the 1995 Series shall be unlimited.

SECTION 6. The place or places of payment (as to principal and premium, if any, and interest), redemption, transfer, exchange and registration of the bonds of the 1995 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. Interest payments shall be made by check mailed to the registered owner at his address as it shall appear upon the bond register of the Company.

SECTION 7. The bonds of the 1995 Series, and the certificate of the Trustee to be endorsed on the bonds, are to be substantially in the following form:

[FORM OF BOND OF THE 1995 SERIES]

DUKE POWER COMPANY

FIRST AND REFUNDING MORTGAGE BOND,

4 1/8% Series Due 1995

Due February 1, 1995

No. LR \$

DUKE POWER COMPANY, a North Carolina corporation (hereinafter called the "Company"), for value received, acknowledges itself indebted and hereby promises to pay to

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 the interest payment date next preceding the date hereof to which interest on outstanding bonds of this series has been paid (unless the date hereof is prior to August 1, 1965, in which case from February 1, 1965), at the rate of four and one-half per cent. per