not exceed 10 percent per annum. The principal amounts of each series of New Indenture Securities will be payable on their respective maturity dates. Certain series of New Indenture Securities may be redeemable at a premium at the option of Columbia.

The application-declaration states that the proposed New Indenture, pursuant to which the New Indenture Securities will be issued, will contain customary affirmative covenants and limitations consistent with market practice for similarly rated companies. The New Indenture also contains limitations on the ability of Columbia's significant subsidiaries to incur long-term debt with or issue preferred stock to third parties and a negative pledge with respect to Columbia, subject to specified exceptions.

C. Preferred Stock

The Preferred Stock proposed under the Columbia Plan will have a liquidation value of $25 per share and, as to dividend and liquidation rights, will rank equally with the DECS but prior to the Common Stock. Holders of Preferred Stock will be entitled to receive, when, as and if declared by Columbia's board of directors, cumulative preferential cash dividends accruing from the Effective Date at a rate per share that is to be determined in accordance with a pricing formula. It is currently expected that the dividend rate for Preferred Stock will not exceed 11 percent per annum. Columbia may, at its option, redeem the Preferred Stock in whole or in part on or prior to the 120th day following the Effective Date, so long as at least $50 million of preferred stock or none remain outstanding or if all Preferred Stock is to be redeemed no DECS are outstanding. If the Preferred Stock is not so redeemed, the dividend rate will be reset and increased by 100 basis points per share per year effective as of the 120th day after the Effective Date. Columbia may also redeem the Preferred Stock in whole or in part on or after the fifth anniversary of the Effective Date. Upon any such redemption by Columbia, a holder of Preferred Stock will receive, in exchange for each share so redeemed, cash in an amount equal to the sum of the liquidation value thereof and all accrued and unpaid dividends thereon to the date fixed for redemption.

The holders of Preferred Stock shall not have voting rights except as required by law and as follows: (i) if dividends on the Preferred Stock are in arrears and unpaid for six quarterly dividend periods, the holders of the Preferred Stock will be entitled to vote, on the basis of one vote for each share, for the election of two directors of Columbia, such directors to be in addition to the number of directors constituting the board of directors immediately prior to the accrual of such right; and (ii) the holders of Preferred Stock will have voting rights with respect to certain modifications of Columbia's certificate of incorporation.

D. DECS

The proposed DECS will be shares of convertible preferred stock of Columbia and have dividend, liquidation and voting rights similar to the Preferred Stock described above. The dividend rate will be determined to make the market value of the DECS comparable to the market value of the Common Stock and the liquidation value will be based on the market value of the Common Stock as of a specified date. It is currently expected that the dividend rate on the DECS will not exceed 11 percent per annum. The DECS will be mandatorily convertible into Common Stock. Columbia will have the right on or prior to the 120th day after the Effective Date to redeem the DECS, so long as at least $50 million DECS or none remain outstanding. If Columbia fails to redeem the DECS, the dividend rate will increase by 100 basis points per share per year effective as of the 120th day after the Effective Date.

Until the fifth anniversary of the Effective Date (the ''Mandatory Conversion Date''), a holder of DECS may, at its option, convert its DECS into shares of Common Stock at the applicable conversion rate. On or after the fourth anniversary of the Effective Date or the month before the fifth anniversary after the Effective Date (as determined by Columbia prior to the Effective Date) and prior to the Mandatory Conversion Date, Columbia may redeem the outstanding DECS in whole or in part. Upon any such redemption by Columbia, each holder of DECS will receive, in exchange for each redeemed share, a certain number of shares of Common Stock equal to the call price of the DECS in effect on the date of redemption divided by the current market price of Common Stock on the trading day prior to the public announcement of Columbia's call for redemption. If the DECS have not already been converted by the holder or redeemed by Columbia, as described above, then all the outstanding DECS will convert automatically on the Mandatory Conversion Date into shares of Common Stock at the applicable conversion rate in effect on such date. The Columbia Plan proposes that the conversion rate initially will be subject to adjustment.

E. Bank Facilities

Columbia proposes to enter into the Bank Facilities on or before the Effective Date. Columbia states in its Application-Declaration that it will seek to arrange a senior unsecured term credit facility (''Term Facility'') and one or more senior unsecured revolving credit facilities (collectively, the ''Revolving Facility'') in an aggregate principal amount of up to $1.15 billion. The facilities may be combined in a single facility.

The Term Facility would be used to fund payments to Columbia's creditors pursuant to the Columbia Plan, obligations of Columbia Transmission pursuant to the TCO Plan and for general corporate purposes. It is anticipated that the initial term of the Term Facility will be two years. Interest rates on borrowings under the Term Facility will be, depending on the nature of the borrowing, the prime rate or the applicable LIBOR rate plus no more than .75% or the applicable certificate of deposit rate plus no more than .875%. Amounts borrowed under the Term Facility will be senior unsecured debt of Columbia.

It is contemplated that the Revolving Facility will be used to provide working capital for Columbia and its subsidiaries. It is anticipated that the initial term of the Revolving Facility will not exceed five years. Up to $100 million of the Revolving Facility is expected to be used solely for letters of credit to be issued for the account of Columbia (a portion of which may be denominated in Canadian dollars) in the ordinary course of its business.

Interest rates on borrowings under the Revolving Facility will be, depending on the nature of the borrowing, the prime rate or specified margins over the applicable LIBOR rate or applicable certificate of deposit rate on the same or similar margin and maturity terms as the Term Facility. Amounts borrowed under the Revolving Facility will be senior unsecured debt of Columbia. The specific terms of the Revolving Facility, including, without limitation, interest rates, repayment terms, conditions to borrowings, representations and warranties, covenants and events of default will be negotiated by Columbia and prospective providers of the Revolving Facility.

F. Disposition of LESOP Shares

Columbia established the LESOP in 1990 to pre-fund, on a tax-advantaged basis, a portion of the employer-matching obligation under the terms of