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June 20, 2008

The Public Utilities Commission of Ohio  
180 East Broad Street  
Columbus, OH 43215

Re: **Ohio Power Company**  
**Case No. 08-199-EL-AIS**  
196

Gentlemen:

Enclosed are one executed and five conformed copies of a Report in the captioned matter.

Please time-stamp the enclosed, extra copy of this Report for our files.

Very truly yours,

A handwritten signature in black ink, appearing to read "W. E. Johnson", is written over a horizontal line.

William E. Johnson

WEJ/mm

Enclosures

This is to certify that the images appearing are an  
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In the Matter of  
the application of  
**OHIO POWER COMPANY**  
for authority to finance portions of environmental and  
pollution control facilities, to enter into Loan Agreements  
or Installment Agreements of Sale with the Ohio Air  
Quality Development Authority and to enter into  
Interest Rate Management Agreements

REPORT

Pursuant to your Honorable Commission's Finding and Order in this proceeding, entered in the Journal on April 16, 2008, authorizing your Applicant, Ohio Power Company, among other things, to participate in the West Virginia Economic Development Authority (the "Authority") issuance and sale, in the manner set forth in the Application, of up to \$65,000,000 aggregate principal amount of the Authority's Solid Waste Disposal Facilities Revenue Refunding Bonds (Ohio Power Company-Mitchell Project), Series 2008A, the following information is herewith respectfully submitted:

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were sold by the Authority to the Underwriters at an initial offering price of 100% of the principal amount. The Company paid \$162,500 to the Underwriters as compensation. The Series 2008A Bonds were issued by the Authority pursuant to an Indenture of Trust dated as of June 1, 2008 between the Authority and The Bank of New York Trust Company, N.A., as Trustee. A copy of the Official Statement, dated May 29, 2008, is attached hereto to this Report.

The transaction described herein was consummated in accordance with the terms and conditions of and for the purposes set forth in said Order.

Respectfully submitted this 20th day of June, 2008.

By   
Assistant Secretary

**NEW ISSUE—BOOK ENTRY ONLY**

In the opinion of Bond Counsel, under current law and subject to the conditions described in the Section herein **TAX EXEMPTION**, interest on the Bonds (a) will not be included in gross income for federal income tax purposes, except when held by a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and (b) will be exempt from all taxation by the State of West Virginia, except inheritance taxes. Such interest on the Bonds is an item of tax preference for purposes of the federal alternative minimum income tax imposed on individuals and corporations, and a holder may be subject to other federal tax consequences as described in the Section herein **TAX EXEMPTION**.

**\$65,000,000**  
**West Virginia Economic Development Authority**  
**Solid Waste Disposal Facilities Revenue Refunding Bonds**  
**(Ohio Power Company—Mitchell Project),**  
**Series 2008A**

**Interest to accrue from date of issuance**

**Due: April 1, 2036**

The Series 2008A Bonds (the "Bonds") are limited obligations of the West Virginia Economic Development Authority (the "Issuer"), and do not constitute an indebtedness or a charge against the general credit of the Issuer or the State of West Virginia. The Bonds are payable solely from, and secured by a pledge of, the loan repayments under a note issued under the terms of a Loan Agreement (the "Agreement") between the Issuer and

**OHIO POWER COMPANY**

(the "Company") and from funds drawn under an irrevocable direct pay letter of credit (the "Letter of Credit") issued by

**THE ROYAL BANK OF SCOTLAND PLC**

The Letter of Credit will permit the Trustee, The Bank of New York Trust Company, N.A., to draw up to (a) an amount sufficient to pay (i) the principal of the Bonds when due at maturity or upon redemption or acceleration and (ii) the portion of the purchase price of the Bonds tendered to the Trustee and not remarketed corresponding to the principal amount of such Bonds, plus (b) an amount equal to 35 days' interest on the Bonds at a maximum rate of 12% per annum to pay (i) interest on the Bonds when due and (ii) the portion of the purchase price of the Bonds tendered to the Trustee and not remarketed corresponding to the accrued interest on such Bonds. The Letter of Credit will expire on June 5, 2009 or on the earliest occurrence of one or more of the events described herein, unless extended by The Royal Bank of Scotland plc (the "Letter of Credit Bank") (see **THE LETTER OF CREDIT AND CREDIT AGREEMENT—The Letter of Credit herein**). Unless the Letter of Credit is replaced or extended as described herein, the Bonds will be subject to mandatory purchase prior to its expiration.

The Bonds will initially bear interest at a Weekly Rate determined by the Remarketing Agent as described under **THE BONDS—Form and Denomination of Bonds**; Payments on the Bonds—Interest herein, payable on the first Business Day of each month commencing July 1, 2008. Upon satisfaction of the conditions specified in the Indenture, the Company may from time to time change the interest rate determination method for the Bonds to a Daily Rate, a Weekly Rate, a Commercial Paper Rate, a Long-Term Interest Rate or an Auction Mode Rate.

The Bonds are subject to mandatory tender and redemption as described under **THE BONDS—Redemption of Bonds herein**. When a Daily Rate or Weekly Rate is in effect for the Bonds, holders of the Bonds will have the option to tender their Bonds for purchase as described under **THE BONDS—Optional Tender herein**.

While the Bonds bear interest at a Daily Rate or a Weekly Rate they will be issued as fully registered bonds in denominations of \$100,000 and any larger denominations constituting an integral multiple of \$5,000. The Bonds will be issued pursuant to an Indenture of Trust (the "Indenture"), between the Issuer and The Bank of New York Trust Company, N.A., as trustee (the "Trustee"). The Bonds will be issued as fully registered bonds and will be registered initially in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC acts as a securities depository for the Bonds. Except under the limited circumstances described herein, Beneficial Owners of book-entry interests in Bonds will not receive certificates representing their interests. Payments of principal or purchase price of and interest on the Bonds will be made through DTC and disbursements of such payments to Beneficial Owners will be the responsibility of DTC and its Participants. See **THE BONDS—Book-Entry Only System herein**. Morgan Stanley & Co. Incorporated will act as underwriter (the "Underwriter") for the Bonds. Morgan Stanley & Co. Incorporated will act as remarketing agent (the "Remarketing Agent") for the Bonds.

**PRICE: 100%**

This cover page contains limited information for quick reference only and is not a summary of this Official Statement. Investors should read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are offered, subject to prior sale, when, as and if issued and received by the Underwriter, subject to the approval of their validity by Hunton & Williams, LLP, Richmond, Virginia, Bond Counsel, as described herein, and certain other conditions. Certain legal matters, other than the validity of the Bonds and the exclusion from gross income for Federal income tax purposes of interest thereon, will be passed on for the Underwriter by its counsel, Dewey & LeBoeuf LLP, New York, New York, for the Letter of Credit Bank by its counsel, King & Spalding LLP and for the Company by its internal counsel. Delivery of the Bonds in book-entry-only form is expected on or about June 5, 2008, through the facilities of DTC in New York, New York, against payment therefor.

**Morgan Stanley**

**Dated: May 29, 2008**

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No person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offer made hereby and, if given or made, such information or representations must not be relied upon as having been authorized by the Issuer, the Company, the Letter of Credit Bank or the Underwriter. Neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Issuer, the Letter of Credit Bank or the Company since the date hereof. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. The Issuer neither has nor assumes any responsibility as to the accuracy or completeness of the information in this Official Statement, all of which has been furnished by others, other than information under *THE ISSUER*.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE BONDS, INCLUDING BY ENTERING STABILIZING BIDS. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE *UNDERWRITING* HEREIN.

**\$65,000,000**  
**West Virginia Economic Development Authority**  
**Solid Waste Disposal Facilities Revenue Refunding Bonds**  
**(Ohio Power Company - Mitchell Project),**  
**Series 2008A**

**INTRODUCTORY STATEMENT**

This Official Statement, including the Appendices hereto, is provided to furnish certain information in connection with the issuance by the West Virginia Economic Development Authority, a public corporation and governmental instrumentality of the State of West Virginia ("Issuer") of its Solid Waste Disposal Facilities Revenue Refunding Bonds (Ohio Power Company - Mitchell Project) Series 2008A, in the aggregate principal amount of \$65,000,000 (the "Bonds"). The Issuer neither has nor assumes any responsibility as to the accuracy or completeness of the information in this Official Statement, all of which has been furnished by others, other than the information pertaining to the Issuer under *THE ISSUER*.

The Bonds will be issued under and pursuant to a resolution of the Issuer adopted on May 15, 2008 ("Resolution") and an Indenture of Trust, dated as of June 1, 2008 ("Indenture"), between the Issuer and The Bank of New York Trust Company, N.A., as trustee (in such capacity, the "Trustee"). Capitalized terms used herein and not otherwise defined shall have the meanings given to them in the Indenture.

Pursuant to a Loan Agreement, dated as of June 1, 2008 ("Agreement"), between the Issuer and Ohio Power Company ("Company"), the Issuer will loan to the Company the proceeds of the Bonds to be used to provide funds to refund or to pay at redemption the Issuer's Solid Waste Disposal Facilities Revenue Bonds (Ohio Power Company - Mitchell Project) Series 2006A (the "Refunded Bonds"), the proceeds of which having been used to provide funds to finance the cost of acquisition, construction and improvement of solid waste disposal facilities (the "Project"), or portions thereof, designed for the disposal of solid wastes at the Mitchell Generating Station located near Moundsville, West Virginia (the "Plant").

In order to evidence the loan from the Issuer (the "Loan") and to provide for its repayment, the Company will issue a nonnegotiable promissory note (the "Note") pursuant to the Agreement. Payments required under the Note will be sufficient, together with any other funds on deposit in the Bond Fund (hereinafter described) under the Indenture, to pay the principal of and premium, if any, and interest on the Bonds and to make or provide for payments to the paying agent for the Bonds ("Paying Agent"), initially The Bank of New York Trust Company, N.A., equal to 100% of the principal amount of the Bonds plus accrued interest, if any, upon tender thereof ("Purchase Price"). The Bonds will not otherwise be secured by a mortgage on, or security interest in, any of the Project or any other property of the Company.

The Bonds will initially bear interest at a Weekly Rate until converted to another permitted interest rate mode as described herein. While accruing interest at the Daily or Weekly Rates, the Bonds are subject to optional and mandatory purchase, as described herein. Bonds converted to a different interest rate mode will be subject to mandatory tender upon conversion. When a Daily Rate or Weekly Rate is in effect for the Bonds, holders of the Bonds will have the

option to tender their Bonds for purchase as described herein. Each Interest Rate for an Interest Rate Period for the Bonds will be determined by the Remarketing Agent as set forth in the Indenture.

While the Bonds bear interest at a Daily Rate or a Weekly Rate they will be issued in denominations of \$100,000 and any larger denominations constituting an integral multiple of \$5,000. The Bonds will be held by The Depository Trust Company ("DTC"), or its nominee, as securities depository with respect to the Bonds. See *THE BONDS – Book-Entry Only System*.

Concurrently with the issuance of the Bonds, the Company will cause to be delivered to the Trustee an irrevocable direct pay letter of credit (the "Letter of Credit") issued by the Letter of Credit Bank, in the initial aggregate stated amount of \$65,747,945. Under the Letter of Credit, the Trustee will be permitted to draw up to (a) an amount sufficient to pay (i) the principal of the Bonds when due at maturity, redemption or acceleration and (ii) the portion of the Purchase Price of the Bonds tendered to the Trustee and not remarketed corresponding to the principal amount of such Bonds, plus (b) an amount equal to 35 days' interest on the Bonds at a maximum rate of 12% per annum to pay (i) interest on the Bonds when due and (ii) the portion of the Purchase Price of the Bonds tendered to the Trustee and not remarketed corresponding to the accrued interest on such Bonds. The expiration date of the Letter of Credit is June 5, 2009 unless earlier terminated or extended as described under *The Letter of Credit and Credit Agreement—the Letter of Credit*. The Letter of Credit may be replaced by an Alternate Letter of Credit (as defined herein) prior to its expiration date as described under *The Letter of Credit and Credit Agreement—Replacement of Letter of Credit* herein. If the Letter of Credit expires, is replaced by an Alternate Letter of Credit or is surrendered, the Bonds will be subject to mandatory tender for purchase, as described under *The Bonds — Mandatory Tender for Purchase* herein. The Letter of Credit will be issued pursuant to the Credit Agreement dated as of April 4, 2008, as amended by the Amendment dated as of April 25, 2008 (the "Credit Agreement"), among the Letter of Credit Bank, the other lenders party thereto and the Company and certain of its affiliates.

**The Bonds are special obligations of the Issuer, and are to be paid solely from, and will be secured by a pledge of, payments to be made to the Issuer under the terms of the Agreement and funds drawn under the Letter of Credit. See *THE BONDS – Security for the Bonds*.**

Brief descriptions of the Issuer, the Company, the Letter of Credit Bank and the Project and certain provisions of the Bonds, the Loan Agreement, the Indenture, the Letter of Credit and the Credit Agreement are included in this Official Statement. Certain information with respect to the Company is set forth in Appendix A hereto. Certain information with respect to the Letter of Credit Bank is set forth in Appendix B hereto. Appendix C to this Official Statement sets forth the form of opinion Bond Counsel proposes to deliver relating to the Bonds. The descriptions herein of provisions of the Loan Agreement, the Indenture, the Letter of Credit and the Credit Agreement are qualified in their entirety by reference to such documents, and the description herein of provisions of the Bonds is qualified in its entirety by reference to the form thereof and the information with respect thereto included in the aforesaid documents. All such descriptions are further qualified in their entirety by reference to laws and principles of equity relating to or

affecting generally the enforcement of creditor's rights. Copies of such documents may be obtained from the office of the Company and are available for inspection at the office of the Trustee. Words and terms not defined herein shall have the meanings set for in the respective documents.

### **THE ISSUER**

The West Virginia Economic Development Authority, empowered and authorized pursuant to Chapter 31, Article 15, Section 1, et. seq. of the Code of West Virginia, 1931, as amended (the "Act"), is a body corporate and politic, constituting a public corporation and government instrumentality of the State of West Virginia, with the power to borrow money and issue its bonds and other debt instruments for any of its purposes, and to finance making loans to finance any project to private corporations or to refund bonds issued for such purposes. Such projects include solid waste disposal facilities. The Issuer has no taxing power.

THE BONDS SHALL NOT CONSTITUTE A DEBT OR A PLEDGE OF THE FAITH AND CREDIT OR TAXING POWER OF THE STATE OF WEST VIRGINIA OR OF ANY COUNTY, MUNICIPALITY OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF WEST VIRGINIA, AND THE HOLDERS AND OWNERS THEREOF SHALL HAVE NO RIGHT TO HAVE TAXES LEVIED BY THE LEGISLATURE OF THE STATE OF WEST VIRGINIA OR THE TAXING AUTHORITY OF ANY COUNTY, MUNICIPALITY OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF WEST VIRGINIA FOR THE PAYMENT OF THE PRINCIPAL OF, INTEREST ON OR PURCHASE PRICE OF THE BONDS, BUT SHALL BE PAYABLE SOLELY FROM REVENUES AND FUNDS PLEDGED FOR ITS PAYMENT AS AUTHORIZED BY THE ACT.

### **THE PROJECT**

The Project consists of various systems which are designed for the disposal of solid wastes resulting from the operation of the Plant. The solid waste disposal facilities are comprised of the portion of the new flue gas desulfurization system (the "FGD System") constructed with respect to the two 800 megawatt units at the Plant that relates to the disposal of solid waste generated as part of the FGD System.

### **USE OF PROCEEDS**

The Issuer will cause the proceeds received upon sale of the Bonds to be deposited into the Refunding Fund created under the Indenture to be used to refund the Refunded Bonds within 90 days of the issuance of the Bonds. See *THE INDENTURE-- Refunding Fund*.

### **THE BONDS**

This Official Statement does not provide any information regarding the Bonds after the date, if any, on which the Bonds convert to bear interest, as permitted by the Indenture, at interest rates other than a Daily Rate or Weekly Rate. The Bonds are subject to mandatory tender in the event of any such conversion. See *THE BONDS -- Mandatory Tender for Purchase* below.



The Bonds are special obligations of the Issuer and will be payable solely from the revenues and receipts arising out of or in connection with the Loan Agreement and funds drawn under the Letter of Credit.

## **General**

The Bonds will be dated as of the date of the initial authentication and delivery thereof and will mature on April 1, 2036. The Bonds initially will bear interest at a Weekly Rate commencing on the date of the issuance of the Bonds, subject to conversion to other interest rate modes as described herein.

Beneficial interests in the Bonds will initially be issued pursuant to a Book-Entry Only System ("Book-Entry Only System") maintained by The Depository Trust Company, New York, New York ("DTC"), as described below under the caption *Book-Entry Only System*. Under the Indenture, the Issuer may appoint a successor securities depository to DTC. (DTC, together with any such successor securities depository, is hereinafter referred to as the "Securities Depository"). The following information is subject in its entirety to the provisions described below under the caption *Book-Entry Only System* while the Bonds are in the Book-Entry Only System.

Upon surrender of the Bonds, principal of and premium, if any, on the Bonds are payable at maturity or upon redemption at the principal office of the Trustee, or at the option of the owner at the principal office of any paying agent designated as provided in the Indenture. As long as the Bonds are held by DTC, interest will be paid to DTC on each payment date. If the book-entry system is discontinued, interest on the Bonds will be payable by check or draft mailed by the Trustee to the registered owners.

## **Form and Denomination of Bonds; Payments on the Bonds**

### General

While the Bonds bear interest at a Daily Rate or a Weekly Rate they will be issued only as fully registered bonds, without coupons, in denominations of \$100,000 and any larger denomination constituting an integral multiple of \$5,000 (an "Authorized Denomination"). The Bonds will be registered in the name of Cede & Co., as registered owner and nominee of DTC. DTC acts as securities depository for the Bonds and individual purchases of Bonds may be made in book-entry form only. So long as the Bonds are in book-entry only form, purchasers of Bonds will not receive certificates representing their interest in the Bonds purchased. So long as Cede & Co. is the registered owner of such Bonds, as nominee of DTC, references herein to the Bondholders or registered owners or holder shall mean Cede & Co., and shall not mean the Beneficial Owners (as defined below) of the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, principal of and interest on the Bonds are payable to Cede & Co., as nominee for DTC, which will, in turn, remit such amounts to the DTC Participants (as defined below) for subsequent disbursement to the Beneficial Owners. See – *Book-Entry Only System* below.

The Bank of New York Trust Company, N.A. has been appointed as Trustee and Paying Agent under the Indenture. The designated office of the Trustee and Paying Agent is located at 6525 W. Campus Oval, 2nd Floor, New Albany, Ohio 43054.

The Trustee will not be required to make any transfer or exchange of any Bond during the ten days prior to the mailing of a notice of Bonds selected for redemption or, with respect to a Bond, after such Bond or any portion thereof has been selected for redemption. Registration of transfers and exchanges shall be made without charge to the Bondholders, except that any required taxes or other governmental charges shall be paid by the Bondholder requesting registration of transfer or exchange.

### Interest

Interest on the Bonds will be payable as described below. Interest on the Bonds will initially be payable at a Weekly Rate on the first Business Day of each month, commencing July 1, 2008. The interest rate determination method for the Bonds may be changed by the Company as described under *Change in Interest Rate Determination Method* below. See *Summary* below for a table summarizing certain provisions of the Bonds.

“*Business Day*” means any day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in New York, New York or Greenwich, Connecticut are required or authorized by law to remain closed, (iii) a day which the Trustee shall advise the Letter of Credit Bank in writing from time to time is a day on which the corporate trust office of the Trustee is required or authorized by law to close, (iv) a day which the Trustee shall advise the Letter of Credit Bank in writing from time to time is a day on which the principal office of the Remarketing Agent that is administering the Bonds is required or authorized by law to close, or (v) a day on which the New York Stock Exchange is closed.

Interest will accrue on the unpaid portion of the principal of the Bonds from the last date to which interest was paid, or if no interest has been paid, from the date of the original issuance of the Bonds until the entire principal amount of the Bonds is paid. When interest is payable at a Daily or Weekly Rate, interest will be computed on the basis of the actual number of days elapsed over a year of 365 days (366 days in leap years).

Daily Rate. When interest on the Bonds is payable at a Daily Rate, the Remarketing Agent will set a Daily Rate on or before 10:00 A.M., New York City time, on each Business Day for that Business Day. Each Daily Rate will be the minimum rate necessary (as determined by the Remarketing Agent based on the examination of tax-exempt obligations comparable to the Bonds known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) for the Remarketing Agent to sell the Bonds on the day the Daily Rate is set at their principal amount (without regard to accrued interest). The Daily Rate for any non-Business Day will be the rate for the last day for which a rate was set.

Weekly Rate. When interest on the Bonds is payable at a Weekly Rate, the Remarketing Agent will set a Weekly Rate on or before 5:00 P.M., New York City time, on the last Business Day before the commencement of a period during which the Bonds are to bear interest at a

Weekly Rate and on each Wednesday thereafter so long as interest on the Bonds is to be payable at a Weekly Rate or, if any Wednesday is not a Business Day, on the next preceding Business Day. Each Weekly Rate will be the minimum rate necessary (as determined by the Remarketing Agent based on the examination of tax-exempt obligations comparable to the Bonds known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) for the Remarketing Agent to sell the Bonds on the date the Weekly Rate is set at their principal amount (without regard to accrued interest). Each Weekly Rate shall apply to (i) the period beginning on the Thursday after the Weekly Rate is set and ending on the following Wednesday or, if earlier, ending on the day before the effective date of a new method of determining the interest rate on the Bonds or (ii) the period beginning on the effective date of the change to a Weekly Rate and ending on the next Wednesday.

Fallback Interest Period and Rate. If the appropriate Daily or Weekly Rate is not or cannot be determined for any reason, the method of determining interest on the Bonds will be payable at the Alternate Rate.

“Alternate Rate” means, as of any date, the rate equal to The Securities Industry and Financial Markets Association (“SIFMA”) Municipal Swap Index of Municipal Market Data most recently available as of the date of determination or, if such index is no longer available, or if the rate is no longer published, a comparable index as described in the Indenture.

Calculation and Notice of Interest. The Remarketing Agent will provide the Trustee and the Company with notice in writing or by other written electronic means or by telephone promptly confirmed by facsimile transmission by 1:00 P.M., New York City time, (i) on the last Business Day of a month in which interest on the Bonds was payable at a Daily Rate, of the Daily Rate for each day in such month, (ii) on each day on which a Weekly Rate becomes effective, of the Weekly Rate and (iii) on any Business Day preceding any redemption or purchase date, any interest rate requested by the Trustee in order to enable it to calculate the accrued interest, if any, due on such redemption or purchase date. Using the rates supplied by such notice, the Trustee will calculate the interest payable on the Bonds. The Remarketing Agent will inform the Trustee and the Company orally at the oral request of either of them of any interest rate so set. The Trustee will confirm the effective interest rate in writing to any Bondholder who requests it.

The setting of the rates by the Remarketing Agent and the calculation of interest payable on the Bonds by the Trustee as provided in the Indenture will be conclusive and binding on the Issuer, the Company, the Trustee and the owners of the Bonds.

Change in Interest Rate Determination Method. The Company may change the method of determining the interest rate on all but not part of the Bonds, from time to time by notifying the Issuer, the Trustee, the Letter of Credit Bank and the Remarketing Agent. The Company’s notice will specify (i) the effective date of the proposed change in interest rate determination method, (ii) the proposed interest rate determination method and (iii) a statement as to whether the Letter of Credit shall be terminated in connection with such change. The interest rate payable on the Bonds will be payable at the proposed rate on the effective date specified in the Company’s notice, provided that: (i) the Company’s notice complies with the provisions of the

Indenture and the change to the proposed interest rate determination method complies with certain limitations set forth in the Indenture; and (ii) a Favorable Opinion of Tax Counsel required under the Indenture has been delivered with the notice (see *Cancellation of Change in Interest Rate Determination Method if Opinion of Tax Counsel is Not Confirmed* below). It is currently anticipated that, should any of the Bonds be converted to bear interest at any rate other than a Daily Rate or a Weekly Rate, a new reoffering memorandum or reoffering circular will be distributed describing the Bonds while they bear interest at any such interest rate.

Notice of Change in Interest Rate Determination Method. The Trustee, upon receiving notice from the Company pursuant to the Indenture, is required to give at least 15 days written notice by first-class mail to the Bondholders before the effective date of a change in the interest rate determination method. Each notice will be effective when sent and will state: (i) that the interest rate determination method will change and what the new method will be; (ii) the proposed effective date of the new interest rate; and (iii) that the Bonds will be subject to mandatory tender on the effective date of the change and the information required to be included in a notice of tender pursuant to the Indenture. See *Mandatory Tender for Purchase-Notice of Tender* below.

Cancellation of Change in Interest Rate Determination Method if Opinion of Tax Counsel is Not Confirmed. No change will be made in the interest rate determination method at the direction of the Company as described under *Change in Interest Rate Determination Method* above if the Company shall fail to deliver the Favorable Opinion of Tax Counsel described under *Change in Interest Rate Determination Method* above. If notice of a change in the interest rate determination method has been mailed and, subsequently, a Favorable Opinion of Tax Counsel is rescinded, then the Trustee shall so notify the bondholders and the Bonds shall still be subject to a mandatory tender on the proposed date of change in the interest rate determination method and the Remarketing Agent shall remarket the Bonds pursuant to the terms of the Indenture.

### **Special Considerations Relating to the Bonds**

#### The Remarketing Agent is Paid by the Company

The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the Remarketing Agreement (as defined herein)), all as further described in this Official Statement. The Remarketing Agent is appointed by the Company and is paid by the Company for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of Bonds.

#### The Remarketing Agent Routinely Purchases Bonds for its Own Account

The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account in order to achieve a successful remarketing of the obligations (i.e., because there are otherwise not enough buyers to purchase the obligations) or for other reasons. The Remarketing Agent is permitted, but not obligated, to purchase tendered Bonds for its own account and, if it does so, it may cease doing so at any time without notice. The Remarketing Agent may also make a market

in the Bonds by routinely purchasing and selling Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Bonds. The Remarketing Agent may also sell any Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Bonds. The purchase of Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the Bonds in the market than is actually the case. The practices described above also may result in fewer Bonds being tendered in a remarketing.

#### Bonds may be Offered at Different Prices on Any Date

Pursuant to the Indenture, the Remarketing Agent is required to determine the applicable rate of interest that, in its judgment, is the minimum rate necessary (as determined by the Remarketing Agent based on the examination of tax-exempt obligations comparable to the Bonds known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) for the Remarketing Agent to sell the Bonds on the day the rate is set at their principal amount (without regard to accrued interest). The interest rate will reflect, among other factors, the level of market demand for the Bonds (including whether the Remarketing Agent is willing to purchase Bonds for its own account). There may or may not be Bonds tendered and remarketed on a day that the rate on the Bonds are set, the Remarketing Agent may or may not be able to remarket any Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Bonds at the remarketing price. In the event the Remarketing Agent owns any Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such Bonds on any date, including the day that the rate on the Bonds are set, at a discount to par to some investors.

#### The Ability to Sell the Bonds other than through Tender Process May be Limited

The Remarketing Agent may buy and sell Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require holders that wish to tender their Bonds to do so through the Trustee with appropriate notice. Thus, investors who purchase the Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Bonds other than by tendering the Bonds in accordance with the tender process.

#### Under Certain Circumstances, the Remarketing Agent May Be Removed, Resign or Cease Remarketing the Bonds, Without a Successor Being Named

Under certain circumstances, the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreement.

## **Optional Tender**

While the Bonds bear interest at a Daily Rate or a Weekly Rate, the holder of any Bond may elect to have its Bond (or any portion of its Bond equal to the lowest authorized denomination or whole multiples thereof) purchased by the Trustee at the Purchase Price.

**Daily Rate Tender.** When interest on a Bond is payable at a Daily Rate and a book-entry system is in effect, a Beneficial Owner of such Bond (through its Direct Participant (as defined in *Book-Entry Only System* below) in the Securities Depository) may tender its interest in a Bond (or portion of Bond) by delivering an irrevocable written notice by telecopy, facsimile transmission or e-mail transmission to the Trustee and an irrevocable notice to the Remarketing Agent by telephone, telegraph or facsimile transmission, in each case prior to 11:00 A.M., New York City time, on a Business Day, stating the principal amount of the Bond (or portion of Bond) being tendered, payment instructions for the Purchase Price and the Business Day (which may be the date the notice is delivered) the Bond (or portion of Bond) is to be purchased. The Beneficial Owner will effect delivery of such Bond by causing such Direct Participant to transfer its interest in the Bond equal to such Beneficial Owner's interest on the records of the Securities Depository to the participant account of the Trustee with the Securities Depository. Any notice received by the Trustee after 11:00 A.M., New York City time, will be deemed to have been given on the next Business Day.

When interest on a Bond is payable at a Daily Rate and a book-entry system is not in effect, a holder of a Bond may tender the Bond (or portion of Bond) by delivering (i) the notices described above (which must include the certificate number of the Bond) and (ii) the Bond, to the Trustee by 1:00 P.M., New York City time, on the date of purchase.

**Weekly Rate Tender.** When interest on a Bond is payable at a Weekly Rate and a book-entry system is in effect, a Beneficial Owner of such Bond (through its Direct Participant in the Securities Depository) may tender its interest in a Bond (or portion of Bond) by delivering an irrevocable written notice by telecopy, facsimile transmission or e-mail transmission to the Trustee and an irrevocable notice to the Remarketing Agent by telephone, telegraph or facsimile transmission, in each case prior to 5:00 P.M., New York City time, on a Business Day stating the principal amount of the Bond (or portion of Bond) being tendered, payment instructions for the Purchase Price and the date, which must be a Business Day at least seven days after the notice is delivered, on which the Bond (or portion of Bond) is to be purchased. The Beneficial Owner shall effect delivery of such Bond by causing such Direct Participant to transfer its interest in the Bond equal to such Beneficial Owner's interest on the records of the Securities Depository to the participant account of the Trustee or its agent with the Securities Depository.

When interest on a Bond is payable at a Weekly Rate and a book-entry system is not in effect, a holder of a Bond may tender the Bond (or portion of Bond) by delivering (i) the notices as described above (which must include the certificate number of the Bond) and (ii) the Bond, to the Trustee by 1:00 P.M., New York City time, on the date of purchase.

**Payment of Purchase Price.** Payment of the Purchase Price of Bonds to be purchased upon optional tender as described above will be made by the Trustee in immediately available funds by 4:00 P.M., New York City time, on the date of purchase. No purchase of Bonds by the

Trustee will be deemed to be a payment or redemption of the Bonds or of any portion thereof and such purchase will not operate to extinguish or discharge the indebtedness evidenced by such Bonds. So long as the Letter of Credit is in effect, all payments of Purchase Price for the Bonds shall be made in accordance with the Indenture. See *Summary* below.

Provisions Applicable to All Tenders. Bonds for which the owners have given notice of tender for purchase but which are not delivered on the tender date shall be deemed tendered. Bonds tendered for purchase on a date after a call for redemption has been given but before the redemption date will be purchased pursuant to the tender.

Notice in respect of tenders and Bonds tendered must be delivered as follows:

<u>Trustee</u>	<u>Remarketing Agent</u>
The Bank of New York Trust Company, N.A. 6525 W. Campus Oval, 2nd Floor New Albany, Ohio 43054 Attention: Corporate Trust Administration Telephone: (614) 775-5280 Telecopier: (614) 775-5636	Morgan Stanley & Co. Incorporated 1221 Avenue of the Americas New York, New York 10020 Attention: Municipal Short Term Products Telephone: 212-762-8263 Telecopier: 212-507-1937 Email: muni-short-term@morganstanley.com

### **Irrevocability**

Each notice of tender constitutes an irrevocable tender for purchase of the Bond (or portion thereof) to which the notice relates on the purchase date at a price equal to 100% of the principal amount of such Bond (or portion thereof) plus any interest thereon accrued and unpaid as of the purchase date. The determination of the Trustee as to whether a notice of tender has been properly sent will be conclusive and binding upon the Bondholders.

The Trustee may refuse to accept delivery of any Bond for which a proper instrument of transfer has not been provided. If any owner of a Bond who gave notice of optional tender or which is subject to mandatory tender fails to deliver its Bond to the Trustee at the place and on the applicable date and time specified, or fails to deliver its Bond properly endorsed, and moneys for the payment of such Bond are on deposit with the Trustee, its Bond shall constitute an undelivered Bond and interest shall cease to accrue on its Bonds as of the tender date and such owner shall have no right under the Indenture other than the right to receive payment of the Purchase Price thereof.

### **Remarketing and Purchase**

Except to the extent the Company directs the Remarketing Agent not to remarket Bonds and except as otherwise provided in the Indenture, the Remarketing Agent for the Bonds will offer for sale and use reasonable efforts to sell all Bonds tendered for purchase (as described below) at a price equal to 100% of the principal amount thereof plus accrued interest, if any, to the purchase date. The Trustee will pay the Purchase Price of the Bonds tendered for purchase first from the proceeds of the remarketing of such Bonds to persons other than the Company, the affiliates of the Company and the Issuer and, if such proceeds are insufficient, second from the

proceeds of a draw upon the Letter of Credit and, third, from money provided by the Company or otherwise available. See *THE REMARKETING AGREEMENT* below.

### **Redemption of Bonds**

The Bonds are subject to redemption as described below:

Extraordinary Optional Redemption. The Bonds are subject to redemption by the Issuer in whole or in part on any date if the Company, upon the occurrence of any of the following events, exercises its option to direct that redemption from moneys available therefor at a redemption price of 100% of the principal amount redeemed, plus accrued and unpaid interest to the redemption date:

(a) The Project or the Plant (each as defined in the Loan Agreement) shall have been damaged or destroyed to such an extent that the Company deems it not practical or desirable to rebuild, repair or restore the Project or Plant, as the case may be.

(b) Title to, or the temporary use of, all or a significant part of the Project or the Plant shall have been taken under the exercise of the power of eminent domain so as to render the Project unsatisfactory to the Company for its intended purpose.

(c) As a result of any changes in the Constitution of the State of West Virginia, the Constitution of the United States of America or any state or federal laws or as a result of legislative or administrative action (whether state or federal) or by final decree, judgment or order of any court or administrative body (whether state or federal) entered after any contest thereof by the Issuer or the Company in good faith, the Loan Agreement shall have become void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as described therein.

(d) Unreasonable burdens or excessive liabilities shall have been imposed upon the Issuer or the Company with respect to the Project or the Plant or the operation thereof, including, without limitation, the imposition of federal, state or other ad valorem, property, income or other taxes not being imposed on the date of the Loan Agreement.

(e) Changes in the economic availability of raw materials, operating supplies, energy sources or supplies or facilities (including, but not limited to, facilities in connection with the disposal of industrial wastes) necessary for the operation of the Project or the Plant occur or technological or other changes occur which in the Company's reasonable judgment render the Project or the Plant uneconomic or obsolete.

(f) Any court or administrative body shall enter a judgment, order or decree, or shall take administrative action, requiring the Company to cease all or any substantial part of its operations served by the Project or the Plant to such extent that the Company is or will be prevented from carrying on its normal operations at the Project or the Plant for a period of six consecutive months.

(g) The termination by the Company of operations at the Plant.



Optional Redemption. When interest on the Bonds is payable at a Daily or Weekly Rate, the Bonds may be redeemed in whole or in part at the option of the Company, on any Business Day.

Notice of Redemption. Whenever Bonds are to be redeemed, the Trustee shall give notice of redemption by mailing such notice to the registered owner of each Bond to be redeemed, at least 30 days prior to the redemption date, as provided in the Indenture.

**During the period that DTC or the DTC nominee is the registered holder of the Bonds, the Trustee will not be responsible for mailing notices of redemption, or other notices described herein, to the Beneficial Owners of the Bonds. See - *Book-Entry Only System*.**

### **Mandatory Tender for Purchase**

The Bonds are subject to mandatory tender for purchase under certain circumstances. By acceptance of each Bond, the holder agrees to sell and surrender its Bond, properly endorsed, under the conditions described below. All purchases will be made in funds immediately available on the purchase date and will be at the Purchase Price. Bonds tendered for purchase on a date after a call for redemption but before the redemption date will be purchased pursuant to the tender. No purchase of Bonds shall be deemed to be a payment or redemption of the Bonds or of any portion thereof and such purchase will not operate to extinguish or discharge the indebtedness evidenced by such Bonds.

*Mandatory Tender Upon a Change in the Method of Determining the Interest Rate on the Bonds.* On the effective date of the change in the method of determining the interest rate on the Bonds, the Bonds will be purchased on the effective date of such change at the Purchase Price.

At least 15 days before each mandatory tender occasioned by such change, the Trustee will mail a notice of tender by first-class mail to each Bondholder at the holder's registered address. Each notice of tender will identify the Bonds to be purchased and will state, among other things, (i) the purchase date; (ii) the Purchase Price; (iii) that the Bonds called for purchase must be surrendered to collect the Purchase Price; (iv) the address at which the Bonds must be surrendered; and (v) that interest on the Bonds to be tendered ceases to accrue to such holder on the purchase date.

*Mandatory Tender Upon Substitution of Alternate Letter of Credit.* The Bonds shall be subject to mandatory tender at the Purchase Price on the date five Business Days prior to the date on which an Alternate Letter of Credit is to be substituted for the Letter of Credit (the "Substitution Tender Date"). Bonds purchased pursuant to this provision shall be delivered by the holders at or before 12:00 noon, New York City time, on such Substitution Tender Date, and, subject to the Indenture, payment of the Purchase Price of such Bonds shall be made by wire transfer in immediately available funds by the Trustee on such Substitution Tender Date. The Trustee shall give notice of such mandatory tender by mail to the holders of the Bonds no less than twenty (20) days prior to the Substitution Tender Date. The notice shall state (i) that the Bonds are subject to mandatory tender, (ii) the Substitution Tender Date; (iii) the Purchase Price; (iv) that Bonds must be surrendered to collect the Purchase Price; (v) the address at which the

Bonds must be surrendered; and (vi) that interest on Bonds subject to mandatory tender will cease to accrue to such holder from and after the Substitution Tender Date and such holder will be entitled only to the Purchase Price on the Substitution Tender Date. The failure to mail such notice with respect to any Bond shall not affect the validity of the mandatory tender of any other Bond with respect to which notice was so mailed. Any notice mailed will be conclusively presumed to have been given, whether or not actually received by any holder.

“Alternate Letter of Credit” means, with respect to the Bonds, a letter of credit or other security or liquidity device issued in accordance with the requirements of the Indenture which will have a term of not less than one year and will have substantially the same material terms as the Letter of Credit; provided that such letter of credit or other security or liquidity device may (and shall if the Bonds shall provide for redemption premium while it is in effect) provide for coverage of premium payable upon redemption of the Bonds.

*Mandatory Tender Due to an Event of Default Under Credit Agreement.* Whenever the Letter of Credit is in effect, the Bonds will be subject to mandatory tender if the Trustee receives a written notice from the Letter of Credit Bank that an event of default, as defined in the Credit Agreement, has occurred and is continuing, and the Letter of Credit Bank directs the Trustee to effect such mandatory tender. Such Bonds subject to mandatory tender will be purchased at the Purchase Price on the default tender date specified by the Letter of Credit Bank in such written notice (the “Default Tender Date”). Such Default Tender Date shall be a Business Day not more than nine (9) nor less than five (5) days after the day such notice is received. The Trustee shall immediately notify the paying agent of receipt of such notice and of the Default Tender Date. Bonds purchased pursuant to this provision will be delivered by the holders (with all necessary endorsements) to the designated corporate trust office of the Trustee, at or before 12:00 noon, New York City time, on the Default Tender Date, and, subject to the Indenture, payment of the Purchase Price shall be made by wire transfer in immediately available funds by the Trustee on the Default Tender Date; provided, however, that payment of the Purchase Price shall be made pursuant to this provision only if the Bond is so delivered to the Trustee.

The Trustee will give notice to the Issuer, the Remarketing Agent, the Company and the Letter of Credit Bank (the “Notice Parties”) and all holders prior to the close of business on the Business Day after receipt of the notice described in the preceding paragraph stating (i) that the Bonds are subject to mandatory tender; (ii) the Default Tender Date; (iii) the Purchase Price; (iv) that Bonds must be surrendered to collect the Purchase Price; (v) the address at which the Bonds must be surrendered; (vi) that interest on such Bonds will cease to accrue to such holder from and after the Default Tender Date and such holder will be entitled only to the Purchase Price on the Default Tender Date; and (vii) if the Bonds are then rated by Moody’s Investor Service, Inc. (“Moody’s”), Standard & Poor’s, a division of The McGraw-Hill Companies (“Standard & Poor’s”) or Fitch, Inc. (“Fitch”), that such rating or ratings will terminate on the Default Tender Date. The failure to mail such notice with respect to any Bond will not affect the validity of the mandatory tender of any other Bond with respect to which notice was so mailed. Any notice mailed will be conclusively presumed to have been given, whether or not actually received by a holder.

*Mandatory Tender Upon Expiration or Termination of Letter of Credit.* If (i) the Letter of Credit is scheduled to expire on the Expiration Date (as defined below) and by the Renewal Date (as defined below) no extension of such Letter of Credit or Alternate Letter of Credit has been delivered to the Trustee or (ii) on or before the Renewal Date, the Company has delivered notice in accordance with the Credit Agreement, stating that the Letter of Credit will be terminated with respect to all the Bonds on the Expiration Date, then the Bonds shall be subject to mandatory tender on the date five Business Days prior to the Expiration Date (the "Expiration Tender Date") at the Purchase Price. Bonds purchased pursuant to this provision will be delivered by the holders at or before 12:00 noon, New York City time, on the Expiration Tender Date, and subject to the Indenture, payment of the Purchase Price shall be made by wire transfer in immediately available funds by the Trustee on such Expiration Tender Date; provided, however, that payment of the Purchase Price will be made pursuant to this provision only if the Bond is so delivered to the Trustee.

The Trustee will give notice to all holders and the Notice Parties no less than twenty (20) days prior to the Expiration Tender Date. The notice will state (i) that the Bonds are subject to mandatory tender; (ii) the Expiration Tender Date; (iii) the Purchase Price; (iv) that Bonds must be surrendered to collect the Purchase Price; (v) the address at which the Bonds must be surrendered; (vi) that the Letter of Credit will terminate on the date specified in such notice; (vii) that interest on such Bonds will cease to accrue to such holder from and after the Expiration Tender Date and such holder will be entitled only to the Purchase Price on the Expiration Tender Date; and (viii) if the Bonds are then rated by Moody's, Standard & Poor's or Fitch, that such rating or ratings will terminate on the Expiration Tender Date. The failure to mail such notice with respect to any Bond shall not affect the validity of the mandatory tender of any other Bond with respect to which notice was so mailed. Any notice mailed will be conclusively presumed to have been given, whether or not actually received by a holder.

"Expiration Date" means the stated expiration date of the Letter of Credit, or such stated expiration date as it may be extended from time to time as provided in the Letter of Credit, or any earlier date on which the Letter of Credit shall expire or be terminated or cancelled.

"Renewal Date" means the thirty-fifth (35th) day prior to the Expiration Date.

*Notice of Tender.* Failure to give any required notice of tender as to any particular Bonds or any defect therein will not affect the validity of the tender of any Bonds in respect of which no such failure or defect occurs. Any notice mailed as described above shall be effective when sent and will be conclusively presumed to have been given whether or not actually received by the addressee.

*Effect of Notice of Tender.* When notice is required and given, and when Bonds are to be tendered without notice, Bonds tendered become due and payable on the purchase date; in such case when funds are deposited with the Trustee sufficient for purchase, interest on the Bonds to be purchased ceases to accrue as of the date of purchase.

## Summary

Certain provisions of the Bonds and the Indenture (other than when the Bonds bear interest at a rate other than a Daily Rate or Weekly Rate) are summarized in the following table:

	<u>DAILY RATE</u>	<u>WEEKLY RATE</u>
OPTIONAL TENDER; NOTICE	On any Business Day; notice no later than 11:00 A.M. same Business Day	On any Business Day; notice no later than 5:00 P.M., seven days in advance
INTEREST PERIODS	Each day	Thursday through Wednesday
INTEREST RATE DETERMINED	Each Business Day by 10:00 A.M.	Each Wednesday (or next preceding Business Day)
INTEREST ACCRUAL PERIOD	Interest Payment Date to Interest Payment Date	Interest Payment Date to Interest Payment Date
INTEREST PAYMENT DATE	First Business Day of next month	First Business Day of next month
RECORD DATE	Business Day before Interest Payment Date	Business Day before Interest Payment Date
OPTIONAL REDEMPTION BY COMPANY	On any Business Day	On any Business Day
MANDATORY TENDER	(i) On effective date of change in interest rate determination method, (ii) substitution of Alternate Letter of Credit, (iii) event of default under Credit Agreement, and (iv) expiration or termination of Letter of Credit	(i) On effective date of change in interest rate determination method, (ii) substitution of Alternate Letter of Credit, (iii) event of default under Credit Agreement, and (iv) expiration or termination of Letter of Credit

## Book-Entry Only System

### Book-Entry System

DTC will act as Securities Depository for the Bonds. The Bonds will be reoffered as fully-registered bonds registered in the name of Cede & Co., DTC's partnership nominee, or

such other name as may be requested by an authorized representative of DTC. One or more fully-registered global bond certificates will be issued for the Bonds, representing in the aggregate the total principal amount of the Bonds, and will be deposited with the Trustee on behalf of DTC.

DTC, the world's largest securities depository, 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 Securities Exchange Act of 1934, as amended (the "1934 Act"). DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the Financial Industry Regulatory Authority, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has Standard and Poor's, a division of The McGraw Hill Companies, Inc., highest rating: AAA. The DTC rules applicable to Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and

their registration in the name of Cede & Co. or such other DTC nominee do not effect any changes in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Although voting with respect to the Bonds is limited, in those cases where a vote is required, neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Company or the Trustee on the relevant payment date in accordance with their respective holdings shown on DTC's records. Payments by Direct or Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct or Indirect Participant and not of DTC, the Company, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursements of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Direct or Indirect Participant, to the Remarketing Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Direct or Indirect Participant's interest in the Bonds, on DTC's records, to the Remarketing Agent. The requirement for physical delivery of the Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Remarketing Agent's DTC account.

DTC may discontinue providing its services as Securities Depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor Securities Depository is not obtained, certificated Bonds are required to be printed and delivered to the holders of record. Additionally, the Company may decide to discontinue use of the system of book-entry transfers through DTC (or a successor Securities Depository) with respect to the Bonds. The Company understands, however, that under current industry practices, DTC would notify its Direct or Indirect Participants of the Company's decision but will only withdraw beneficial interests from a Bond at the request of any Direct or Indirect Participant. In that event, certificates for the Bonds will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer, the Company and the Trustee believe to be reliable, but none of the Issuer, the Company or the Trustee takes any responsibility for the accuracy of such statements. None of the Issuer, the Company or the Trustee has any responsibility for the performance by DTC or its Direct or Indirect Participants of their respective obligations as described herein or under the rules and procedures governing their respective operations.

In the event that the book-entry system is discontinued, a bondholder may transfer or exchange the Bonds in accordance with the Indenture. The Trustee will require a bondholder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture.

Except in connection with the purchase of Bonds tendered for purchase, the Trustee is not required to transfer or exchange any Bond which has been called for redemption or during the period beginning 15 days before mailing a notice of redemption of the Bonds or any portion of the Bonds and ending on the redemption date. In addition, in case of such discontinuance, an additional or co-paying agent may be designated.

**None of the Issuer, the Underwriter, the Company, the Letter of Credit Bank, the Trustee or any agent for payment on or registration of transfer or exchange of any Bond will have any responsibility or obligation to Direct Participants, Indirect Participants or the persons for whom they act as nominees with respect to the accuracy of the records of DTC, its nominee or any Direct Participant with respect to any ownership interest in the Bonds, or payments to, or the providing of notice for, Direct Participants, Indirect Participants, or beneficial owners or other action taken by DTC, or its nominee, Cede & Co., as the sole owners of the Bonds.**

## **Security for the Bonds**

The Bonds will be special obligations of the Issuer, the principal of and premium, if any, and interest on which will be payable solely from (i) the payments to be made by the Company under the Agreement and the Note, which are pledged to the Trustee, and (ii) the funds drawn under the Letter of Credit. The pledge does not extend to funds to which the Trustee is entitled in its own right as fees, reimbursement, indemnity or otherwise. The Bonds will not be secured by a mortgage or security interest in the Project or any other property of the Company. The Loan Agreement provides that Loan Payments will be paid to the Trustee by the Company for the account of the Issuer.

## **THE LETTER OF CREDIT AND CREDIT AGREEMENT**

The following is a summary of certain provisions of the Letter of Credit and the Credit Agreement. Any future credit agreement pursuant to which an Alternate Letter of Credit is issued may have terms substantially different from those described below. This summary is not a complete recital of the terms thereof and reference should be made to such documents.

### **The Letter of Credit**

Concurrently with the issuance of the Bonds, the Company will cause to be delivered to the Trustee the Letter of Credit issued by the Letter of Credit Bank, in the initial aggregate stated amount of \$65,747,945. Under the Letter of Credit, the Trustee will be permitted to draw up to (a) an amount sufficient to pay (i) the principal of the Bonds when due at maturity, redemption or acceleration and (ii) the portion of the Purchase Price of the Bonds tendered to the Trustee and not remarketed corresponding to the principal amount of such Bonds, plus (b) an amount equal to 35 days' interest on the Bonds at a maximum rate of 12% per annum to pay (i) interest on the Bonds when due and (ii) the portion of the Purchase Price of the Bonds tendered to the Trustee and not remarketed corresponding to the accrued interest on such Bonds. The Letter of Credit will expire on June 5, 2009 or on the earliest occurrence of one or more events described below. The Letter of Credit may be extended from year to year by the Letter of Credit Bank in its discretion, unless terminated earlier pursuant to its terms.

The Letter of Credit is subject to termination on (a) the Letter of Credit Bank's close of business on June 5, 2009 (unless extended from time to time), (b) the earlier of (1) the fifteenth calendar day following conversion of all of the Bonds to a rate other than a Daily Rate or Weekly Rate and (2) the date on which the Letter of Credit Bank honors a drawing under the Letter of Credit on or after the conversion of all of the Bonds to a rate other than a Daily Rate or Weekly Rate, (c) the fifteenth calendar day following the Letter of Credit Bank's receipt of a notice of termination from the Trustee, (d) the date on which an Acceleration Drawing (as defined in the Letter of Credit) is honored by the Letter of Credit Bank, (e) the fifteenth calendar day after receipt by the Trustee of a notice from the Letter of Credit Bank stating that there is an event of default (as defined in the Credit Agreement) under the Credit Agreement and directing the Trustee either to accelerate the Bonds or to effect a mandatory tender of the Bonds, and (f) the date on which the Letter of Credit Bank honors a Stated Maturity Drawing (as defined in the Letter of Credit).



The stated amount of the Letter of Credit is subject to adjustment for payments made by the Letter of Credit Bank to the Trustee pursuant to drawings under the Letter of Credit. Payments made (i) pursuant to drawings on the Letter of Credit to make scheduled principal payments on the Bonds, (ii) to pay the unpaid principal of the Bonds on redemption, and (iii) to pay the unpaid principal of the Bonds upon acceleration, permanently reduce the principal component of the stated amount of the Letter of Credit (originally \$65,747,945) by an amount equal to such payments. Payments made pursuant to drawings on the Letter of Credit to pay interest on the Bonds and to pay the Purchase Price of Bonds tendered to the Trustee in accordance with the Indenture will reduce the stated amount by an amount equal to such payments; provided that (i) such amounts reduced with respect to the payment of accrued and unpaid interest only are reinstated automatically upon payment of such interest drawings by the Letter of Credit Bank and (ii) such amounts reduced with respect to drawings to pay the Purchase Price of tendered Bonds are reinstated when such Bonds are remarketed and the Letter of Credit Bank is reimbursed for such drawing.

### **Replacement of Letter of Credit**

The Company may surrender the Letter of Credit or replace the Letter of Credit with an Alternate Letter of Credit or other facility meeting the requirements of the Indenture. The Bonds will be subject to mandatory tender for purchase on the date of such surrender or replacement.

### **The Credit Agreement**

The Letter of Credit will be issued pursuant to the Credit Agreement among the Company, American Electric Power Company, Inc., AEP Texas Central Company, AEP Texas North Company, Appalachian Power Company, Columbus Southern Power Company, Indiana Michigan Power Company, Kentucky Power Company, Public Service Company of Oklahoma and Southwestern Electric Power Company, the Lenders named therein, the Swingline Bank party thereto, the LC Issuing Banks party thereto, and JPMorgan Chase Bank, N.A., as Administrative Agent.

The Credit Agreement contains, among other matters, representations, warranties and covenants on the part of the Company, the breach of which or material inaccuracy of which could entitle the Letter of Credit Bank to notify the Trustee of an "event of default" (as defined in the Credit Agreement) under the Credit Agreement and directing the Trustee either to accelerate the Bonds or to effect a mandatory tender of the Bonds. The following events constitute "events of default" under the Credit Agreement:

(a) The Company shall default in (i) the repayment when due and payable of any principal of any borrowing under the Credit Agreement; (ii) the payment of any amount payable to the Letter of Credit Bank in reimbursement of any drawing under a Letter of Credit within three days after the same becomes due and payable; or (iii) the payment of the interest on any borrowing or the failure to make any other payment of fees or other amounts payable under the Credit Agreement when the same becomes due and payable and such default shall continue unremedied for five or more calendar days; or

(b) Any representation or warranty made by the Company in the Credit Agreement or by the Company (or any of its officers) in connection with the Credit Agreement shall prove to have been incorrect in any material respect when made; or

(c) (i) The Company shall fail to perform or observe certain specified terms, covenants or agreements contained in the Credit Agreement (e.g., maintenance of existence, failure to give notice of a default, restriction on mergers and consolidations, restriction on disposition of any of the Company's significant subsidiaries (as defined in Regulation S-X of the SEC), subjecting Bonds purchased with the Letter of Credit proceeds to the lien of a pledge agreement or registering the Bonds in the name of the Letter of Credit Bank or Administrative Agent, causing or providing notice of an optional redemption or purchase or change in interest rate determination method (other than to or from a Daily Rate or a Weekly Rate) resulting in a mandatory redemption or purchase unless sufficient funds are deposited on or prior to the date of such redemption or purchase or unless such notice is conditional upon receipt of such funds, agreeing to certain amendments to the Indenture, making or amending references to the Letter of Credit Bank in this Official Statement, use of Letter of Credit proceeds for a purpose other than payment of principal of, interest on, redemption price of and Purchase Price of the Bonds, a disposition by the Company or any of its significant subsidiaries of certain assets, creation by the Company and its significant subsidiaries of certain liens and encumbrances, restriction on entering into certain restrictive agreements, and restriction on the use of the proceeds of borrowings under the Credit Agreement), or (ii) the Company shall fail to perform or observe any other term, covenant or agreement contained in the Credit Agreement or any other Loan Document (as defined in the Credit Agreement) if such failure shall remain unremedied for 30 days after written notice thereof shall have been given to the Company; or

(d) Any event shall occur or condition shall exist under any agreement or instrument relating to debt of the Company (but excluding debt outstanding under the Credit Agreement) or any significant subsidiary outstanding in a principal or notional amount of at least \$50,000,000 in the aggregate if the effect of such event or condition is to accelerate or require early termination of the maturity or tenor of such debt, or any such debt shall be declared to be due and payable, or required to be prepaid or redeemed (other than by a regularly scheduled required prepayment or redemption), terminated, purchased or defeased, or an offer to prepay, redeem, purchase or defease such debt shall be required to be made, in each case prior to the stated maturity or the original tenor thereof; or

(e) The Company or any significant subsidiary shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Company or any significant subsidiary seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 60 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for,

it or for any substantial part of its property) shall occur; or the Company or any significant subsidiary shall take any corporate action to authorize any of the actions set forth above in this subsection (e); or

(f) certain change in control events; or

(g) Any judgment or order for the payment of money in excess of \$50,000,000 to the extent not paid or covered by insurance shall be rendered against the Company or any significant subsidiary and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(h) Certain events related to employee benefit matters shall have occurred and the liability of the Company and certain of its affiliates related to such employee benefit related event exceeds \$50,000,000; or

(i) Any representation or warranty made by the Company in the Credit Agreement or by the Company (or any of its officers) in connection with the Credit Agreement or any related document shall prove to have been incorrect in any material respect when made; or

(j) An "Event of Default" under and as defined in the Indenture shall have occurred and be continuing.

## **THE LOAN AGREEMENT**

### **Loan of Proceeds**

The Issuer will loan the proceeds of the sale of the Bonds to the Company, in accordance with the Loan Agreement and the Indenture.

### **Term of Loan Agreement**

The term of the Loan Agreement will continue until such time as all of the outstanding Bonds are fully paid (or provision has been made for such payment) pursuant to the Indenture and all other money payable by the Company under the Loan Agreement shall have been paid.

### **Payments**

The Company will make payments on the Loan Agreement which will be sufficient to pay, when due, the principal of, and premium, if any, and interest on, the Bonds. To evidence the obligations of the Company to make the Loan Payments and repay the Loan, the Company will, concurrently with the issuance of the Bonds, execute and deliver the Note to the Trustee, as assignee of the Issuer under the Indenture, in an aggregate principal amount equal to the aggregate principal amount of the Bonds. The Company will receive as a credit against its obligations to make payments under the Agreement with respect to the Bonds all payments made by the Letter of Credit Bank under the Letter of Credit.

## **Obligations Unconditional**

The obligations of the Company to make Loan Payments and other payments required to be made pursuant to the Loan Agreement are absolute and unconditional, and the Company will make such payments without abatement, diminution or deduction regardless of any cause or circumstances whatsoever including, without limitation, any defense, set-off, recoupment or counterclaim which the Company may have or assert against the Issuer, the Trustee, the Remarketing Agent, the Letter of Credit Bank or any other Person.

## **Maintenance and Modification**

During the term of the Loan Agreement, the Company will use its best efforts to keep and maintain, or cause to be kept and maintained, the Project, including all appurtenances thereto and any personal property therein or thereon, in satisfactory operating order, repair, condition and appearance, subject to reasonable wear and tear, so that the Project will continue to constitute a facility that can be financed by the Issuer under the Act for the purpose for which it was designed. Subject to certain conditions, the Company has the right, from time to time, to remodel the Project or make additions, modifications and improvements thereto, the cost of which must be paid by the Company. The Company also has the right, subject to certain conditions, to substitute or remove any portion of the Project.

## **Tax Exemption**

The Company will covenant and represent in the Loan Agreement that it has taken and caused or required to be taken and will take and cause or require to be taken all actions that may be required of it for the interest on the Bonds to be and remain excluded from the gross income of the owners thereof for federal income tax purposes, and that it has not taken or permitted to be taken on its behalf, and it will not take or permit to be taken on its behalf, any action which, if taken, would adversely affect that exclusion under the provisions of the Code.

## **Assignment of the Loan Agreement**

The Loan Agreement may be assigned in whole or in part by the Company only with the consent of the Issuer, subject to the following conditions: (a) no assignment will relieve the Company from primary liability for any of its obligations under the Loan Agreement; (b) any assignment by the Company must retain for the Company such rights and interests to permit it to perform its remaining obligations under the Loan Agreement, and any assignee from the Company shall assume the obligations of the Company hereunder to the extent of the interest assigned; (c) the Company will, within 30 days after the execution thereof, furnish or cause to be furnished to the Issuer, the Letter of Credit Bank and the Trustee a true and complete copy of each assignment together with any instrument of assumption; and (d) any assignment from the Company will not materially impair fulfillment of the purposes of the Project to be accomplished by operation of the Project as provided in the Loan Agreement.

## Events of Default and Remedies

The Loan Agreement provides that the occurrence of one or more of the following events will constitute an "Event of Default:"

(a) The failure to pay any Loan Payment or any payment required to be made to the United States of America when due;

(b) The occurrence of an event of default described in paragraph (a), (b) or (c) under *THE INDENTURE—Events of Defaults and Remedies*;

(c) Failure by the Company to observe and perform any other agreement, term or condition under the Loan Agreement, other than such failure which will result in an event of default described in (a) or (b) above, which continues for a period of 90 days after notice to the Company by the Issuer or the Trustee or such longer period as the Issuer and the Trustee may agree to in writing; *provided* that the failure shall not constitute an Event of Default if the Company institutes curative action within the applicable period and diligently pursues that action to completion;

(d) Any representation or warranty under the Loan Agreement shall not have been true in all material respects when made; and

(e) Certain events relating to bankruptcy, insolvency or reorganization of the Company.

A failure by the Company described in subparagraph (c) above is not a default under that subparagraph if it occurs by reason of certain courses, circumstances and events of force majeure specified in the Loan Agreement that are not reasonably within the control of the Company.

Whenever any Event of Default under a Loan Agreement has happened and is subsisting, the Issuer or the Trustee may take either or both of the following remedial steps:

(a) Inspect, examine and make copies of the books, records, accounts and financial data of the Company, only, however, insofar as they pertain to the Project; and

(b) Pursue all remedies to recover all amounts then due and thereafter to become due under the Loan Agreement and the Note, or to enforce the performance and observance of any other obligation or agreement of the Company under those instruments.

So long as the Letter of Credit is in full force and effect and the Letter of Credit Bank has not wrongfully dishonored a drawing under the Letter of Credit or wrongfully repudiated the Letter of Credit, the exercise of remedies under the Loan Agreement with respect to Events of Default (other than with respect to defaults resulting from failures of the Company relating to certain rights of the Issuer not assigned under the Indenture), and any waivers of Events of Default shall be at the direction or with the written consent of the Letter of Credit Bank.

Any amounts collected pursuant to action taken upon the happening of an Event of Default will be paid into the Bond Fund and applied in accordance with the provisions of the Indenture or, if the outstanding Bonds have been paid and discharged in accordance with the provisions of the Indenture, will be paid as provided in the Indenture for transfers of remaining amounts in the Bond Fund.

### **Amendments to the Loan Agreement**

The Indenture provides that the Loan Agreement may be amended without the consent of or notice to the owners of the Bonds only as may be required or permitted (i) by the provisions of the Loan Agreement or the Indenture or for the purposes for which the Indenture may be amended or supplemented without the consent of the owners, (ii) for the purpose of curing any ambiguity or formal defect or omission in the Loan Agreement or (iii) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the owners of the Bonds. Any other amendments to the Loan Agreement may be made only with the written approval or consent of (i) the owners of not less than a majority in aggregate principal amount of the Bonds outstanding and (ii) the Letter of Credit Bank, so long as the Letter of Credit is in effect and the Letter of Credit Bank has not wrongfully dishonored a drawing thereunder or wrongfully repudiated the Letter of Credit. An opinion of Bond Counsel to the effect that such action is permitted under the Act and the Indenture and will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes (a "Favorable Opinion of Tax Counsel") is required for any amendment to the Loan Agreement.

### **THE INDENTURE**

Additional information summarizing certain provisions of the Indenture is contained under the heading *THE BONDS*. So long as DTC or its nominee is the registered owner of the Bonds, all references to owners or holders shall mean DTC. See *THE BONDS - Book-Entry Only System* herein.

### **Pledge and Security**

Pursuant to the Indenture, the payments to be made by the Company under the Loan Agreement and the Note will be assigned by the Issuer to the Trustee to secure the payment, when due, of the principal of, and premium, if any, and interest on, the Bonds. The Issuer will also absolutely and irrevocably assign to the Trustee all right, title and interest in and to the Letter of Credit Account in the Bond Fund and all moneys therein, and will mortgage, pledge and grant a security interest to the Trustee all right, title and interest of the Issuer in and to (i) the Revenues (other than the Letter of Credit Account in the Bond Fund, and the moneys therein, assigned above), including without limitation, all Loan Payments and all other amounts receivable by the Issuer under the Loan Agreement in respect of repayment of the loan and (ii) the Note and the Loan Agreement (except certain rights to the payment of its costs and expenses, to indemnification and to enforce certain covenants of the Company); provided, that the Trustee, in case of an acceleration of the Bonds, will have a prior claim on the Bond Fund, other than money in the Letter of Credit Account, for the payment of its compensation and expenses.

## **Purchase Fund**

The Trustee will apply money contained in the accounts described below maintained within the Purchase Fund as follows:

*Remarketing Proceeds Account.* Upon receipt of the proceeds of a remarketing of Bonds on a purchase date, the Trustee will directly deposit such proceeds, and will deposit only such proceeds, in the Remarketing Proceeds Account for application to the Purchase Price of the Bonds; provided that, at any time when the Letter of Credit is in effect, proceeds of any remarketing of Bonds to the Issuer, the Company or any affiliate of either of them and proceeds of the remarketing of any other Company-Held Bonds and any Bank-Owned Bonds which have been remarketed will be held and maintained in a subaccount for the benefit of the Letter of Credit Bank, separated and segregated from all other money in the Remarketing Proceeds Account. Upon instruction from the Letter of Credit Bank, any amount held by the Trustee in the subaccount described in the preceding sentence will be paid to the Letter of Credit Bank. Neither the Issuer nor the Company will have any interest in the Remarketing Proceeds Account.

*Letter of Credit Purchase Account.* Upon receipt of the immediately available funds provided to the Trustee pursuant to the Indenture, the Trustee will directly deposit such money, and will deposit only such money, in the Letter of Credit Purchase Account for application to the Purchase Price of the Bonds. Any amounts deposited in the Letter of Credit Purchase Account and determined by the Trustee to be not needed with respect to any purchase date for the payment of the Purchase Price for any Bonds will be promptly returned following such determination to the Letter of Credit Bank with written notice to the Company. Neither the Issuer nor the Company will have any interest in the Letter of Credit Purchase Account.

*Company Purchase Account.* Upon receipt of immediately available funds provided to the Trustee by the Company pursuant to the Indenture, the Trustee shall directly deposit such money, and shall deposit only such money, in the Company Purchase Account for application to the Purchase Price of the Bonds. Any amounts deposited in the Company Purchase Account and determined by the Trustee to be not needed with respect to any purchase date for the payment of the Purchase Price for any Bonds shall be promptly returned following such determination to the Company.

## **Bond Fund**

Payments made by the Company under the Agreement with respect to the Bonds and certain other amounts specified in the Indenture will be deposited in the Bond Fund. The Trustee will apply money contained in the accounts described below maintained within the Bond Fund as follows:

(a) Interest Account. The Trustee, on each Interest Payment Date, will withdraw and apply from moneys on deposit in the Interest Account an amount sufficient to pay interest on the outstanding Bonds on such Interest Payment Date; *provided, however*, when the Letter of Credit or an Alternate Letter of Credit is in effect, the Trustee, on each Interest Payment Date, shall withdraw and apply moneys in the Interest Account, if any, to reimburse the Letter of

Credit Bank for draws on the Letter of Credit or the Alternate Letter of Credit pursuant to the Indenture.

(b) Principal Account. The Trustee, on each Principal Payment Date (as defined in the Indenture), will withdraw and apply from moneys on deposit in the Principal Account, an amount equal to the principal becoming due on the Bonds on such Principal Payment Date (other than a redemption date). Money in such Principal Account will be used and withdrawn by the Trustee on each Principal Payment Date solely for the payment of the principal of outstanding Bonds; *provided, however*, when the Letter of Credit or an Alternate Letter of Credit is in effect, the Trustee will apply such amounts, if any, to reimburse the Letter of Credit Bank for draws on the Letter of Credit or the Alternate Letter of Credit pursuant to the Indenture.

(c) Redemption Account. The Trustee, on or before each redemption date, will withdraw and apply from moneys on deposit in the Redemption Account amounts required to pay the principal of and premium, if any, and accrued interest on Bonds to be redeemed prior to their stated maturity. Money in such Redemption Account will be used and withdrawn by the Trustee on each redemption date solely for the payment of the principal of and premium, if any, and accrued interest on outstanding Bonds upon the redemption thereof prior to their stated maturity; *provided, however*, when the Letter of Credit or an Alternate Letter of Credit is in effect, the Trustee shall apply such amounts, if any, to reimburse the Letter of Credit Bank for draws on the Letter of Credit or the Alternate Letter of Credit pursuant to the Indenture.

(d) Letter of Credit Account. The Trustee will directly deposit, or cause to be directly deposited, the proceeds of draws on the Letter of Credit or an Alternate Letter of Credit to pay interest on and principal of the Bonds in such Letter of Credit Account, and shall deposit only those proceeds therein. Money in such Letter of Credit Account will be used and withdrawn by the Trustee on each Interest Payment Date and each Principal Payment Date first, before any other source of funds, to pay the principal of and interest on the Bonds; *provided, however*, that in no event shall moneys in such Letter of Credit Account be used to pay interest and premium on or principal of Bonds that are Bank-Owned Bonds or Company-Held Bonds (each as defined in the Indenture) if the Letter of Credit or Alternate Letter of Credit does not permit drawings thereunder with respect to Bank-Owned Bonds or Company-Held Bonds. Amounts in the Letter of Credit Account shall be held uninvested. Neither the Issuer nor the Company shall have any interest in the Letter of Credit Account.

(e) Payments by Company. If during any period that a Letter of Credit is in effect there is not sufficient money in the Letter of Credit Account to make the payments on an Interest Payment Date or Principal Payment Date, the Trustee will make such payments from money provided by the Company and deposited into the other accounts of the Bond Fund.

### **Refunding Fund**

The proceeds received from the sale of the Bonds (other than any accrued interest) will be deposited in the Refunding Fund. Moneys on deposit in the Refunding Fund shall be transferred to the Refunded Bonds Trustee on the date specified in the Indenture for deposit into the respective bond fund created in the respective Refunded Bonds Indenture and used in



connection with the redemption of the Refunded Bonds within ninety days of the issuance of the Bonds.

### **Investment of Moneys Held by the Trustee**

Moneys deposited in the Refunding Fund and in the accounts maintained within the Bond Fund (except the Letter of Credit Account) will be invested at the direction of the Company in Permitted Investments (as defined in the Indenture). Moneys held in the Purchase Fund will be held uninvested.

The Loan Agreement provides that the Company and the Issuer shall take no action, nor shall the Company approve the Trustee taking any action, or making any investment or use of the proceeds of the Bonds, which would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

### **Events of Default and Remedies**

The following events are Events of Default under the Indenture:

- (a) Default in the payment when due of any interest on any Bond;
- (b) Default in the due and punctual payment of the principal of, or premium, if any, on any Bond, whether at the stated maturity thereof, or upon unconditional proceedings for redemption thereof;
- (c) Default in the due and punctual payment of the Purchase Price of any Bond required to be purchased in accordance with its terms;
- (d) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Issuer in the Indenture or in the Bonds, continuing 30 days after delivery of notice thereof;
- (e) The occurrence and continuance of an event of default under the Loan Agreement as described under *THE LOAN AGREEMENT -- Events of Default and Remedies*; or
- (f) Receipt by the Trustee of a written notice from the Letter of Credit Bank stating that an event of default has occurred under the Credit Agreement and directing the Trustee to declare the principal of the outstanding Bonds immediately due and payable.

Upon the occurrence and continuance of an Event of Default under (a), (b) or (c) above the Trustee may, and upon the written request of the owners of at least 25% in aggregate principal amount of the Bonds then outstanding shall, declare the principal of and accrued interest on the outstanding Bonds to be due and payable immediately. If an Event of Default under paragraph (d) or (e) above occurs and is continuing, the Trustee may, and upon the request of the owners of at least 25% in aggregate principal amount of the Bond then outstanding, shall, declare the principal of and accrued interest on the outstanding Bonds to be due and payable immediately, provided, however, when the Letter of Credit is in effect and so long as the Letter

of Credit Bank has not wrongfully dishonored a drawing under the Letter of Credit (or otherwise repudiated the Letter of Credit), the Trustee will make such a declaration only with the written consent of the Letter of Credit Bank. If an Event of Default under paragraph (f) above occurs and is continuing, the Trustee shall declare the principal of and accrued interest on the outstanding Bonds to be due and payable immediately.

Upon any such declaration, the principal of and accrued interest on the outstanding Bonds shall be due and payable immediately. Notwithstanding anything else herein to the contrary, interest on the outstanding Bonds will cease to accrue immediately upon a declaration of acceleration for an Event of Default under (f) above. When the Letter of Credit is in effect, the Trustee shall, immediately upon a declaration of acceleration, draw upon the Letter of Credit to pay the principal of and interest on the outstanding Bonds; *provided*, that in no event shall a drawing be made with respect to Bank-Owned Bonds or Company-Held Bonds, if the Letter of Credit by its terms does not permit such a drawing. In the event the Letter of Credit Bank fails to honor a draw on the Letter of Credit (or otherwise repudiates the Letter of Credit) in accordance with the immediately preceding sentence, the Trustee shall immediately notify the Company of such failure and shall request that the Company transfer sufficient amounts to pay the principal of and interest on the Bonds.

The Trustee may rescind an acceleration of the Bonds and its consequences if (1) all payment defaults with respect to the Bonds have been cured and all reasonable fees and charges of the Trustee, including reasonable attorneys' fees, have been paid, and (2) the Bondholders have not been notified of the acceleration, and (3) while the Letter of Credit is in effect, the Letter of Credit Bank has notified the Trustee in writing (i) that the amount available to be drawn under the Letter of Credit has been reinstated so as to be available in any amount equal to the principal amount of the Bonds outstanding less the principal amount of any Bank-Owned Bonds, plus the applicable Letter of Credit Interest Amount (as defined in the Indenture) and any required premium coverage and (ii) that the Letter of Credit Bank has rescinded in writing any event of default under the Credit Agreement. Except as provided in this section, the Trustee will not declare the Bonds to be due and payable.

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy by proceeding at law or in equity to collect the principal of and premium, if any, or interest on the Bonds or to enforce the performance of any provision of the Bonds or the Indenture. So long as the Letter of Credit is in effect and the Letter of Credit Bank has not wrongfully dishonored a drawing thereunder or wrongfully repudiated the Letter of Credit, the Trustee will pursue any remedy only at the direction of or with the consent of the Letter of Credit Bank.

A majority in aggregate principal amount of the outstanding Bonds by notice to the Trustee may waive an existing Event of Default and its consequences; *provided, however*, that, when the Letter of Credit is in effect and so long as the Letter of Credit Bank has not wrongfully dishonored a drawing under such Letter of Credit or wrongfully repudiated the Letter of Credit, no such waiver shall be effective with respect to the Bonds unless and until the Letter of Credit Bank has notified the Trustee in writing (i) that the amount available to be drawn under the Letter of Credit has been reinstated so as to be available in an amount equal to the principal

amount of the Bonds outstanding less the principal amount of any Bank-Owned Bonds, plus the applicable Letter of Credit Interest Amount and any required premium coverage, (ii) that the Letter of Credit Bank has rescinded in writing the notice of default, and (iii) the Letter of Credit Bank has waived in writing any event of default under the Credit Agreement. When an Event of Default is waived, it is cured and stops continuing, but no such waiver will extend to any subsequent or other Event of Default or impair any right consequent to it.

When there is a Letter of Credit in effect and so long as the Letter of Credit Bank has not wrongfully dishonored a drawing under such Letter of Credit or wrongfully repudiated the Letter of Credit, the Letter of Credit Bank may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on it with respect to the Bonds. When there is no Letter of Credit in effect or when the Letter of Credit Bank has wrongfully dishonored a drawing under the Letter of Credit or wrongfully repudiated the Letter of Credit, the holders of a majority in aggregate principal amount of Bonds outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on it.

An owner of a Bond may not pursue any remedy with respect to the Indenture or the Bonds unless (a) the owner gives the Trustee notice stating that an Event of Default is continuing, (b) the owners of at least 25% in aggregate principal amount of the outstanding Bonds make a written request to the Trustee to pursue the remedy, (c) such owner or owners offer to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense, (d) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity, and (e) with respect to the Bonds, the Letter of Credit is either not in effect or the Letter of Credit Bank has wrongfully dishonored a drawing under the Letter of Credit or wrongfully repudiated the Letter of Credit.

Except as described below, funds drawn under the Letter of Credit will be used only for the payment of principal of and interest on, premium, if any, (to the extent that the Letter of Credit covers premium) and the Purchase Price of, the Bonds, as provided in the Letter of Credit. If the Trustee collects any money pursuant to the Indenture or if any moneys shall be on deposit in the Bond Fund at the time of acceleration of the Bonds or shall be deposited into the Bond Fund as a result of such an acceleration, it will pay out such monies in the following order: first to the Trustee for amounts to which it is entitled under such Indenture (*provided*, that if such money constitutes proceeds of a draw under the Letter of Credit, the Trustee shall only use such proceeds to pay the owners of the Bonds); second to owners for amounts due and unpaid on the Bonds for principal, premium and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Bonds for principal, premium and interest, respectively, third to the Letter of Credit Bank to the extent it certifies that the Company is indebted to it on account of draws Letter of Credit or otherwise under the Credit Agreement; and fourth to the Company (*provided*, that if such money constitutes proceeds of a draw under the Letter of Credit, the Trustee shall pay the Letter of Credit Bank rather than the Company). Any lien of the Trustee provided for in the Indenture will in no event apply to any funds drawn under the Letter of Credit or to other funds held for the benefit of the Bondholders. The Trustee may fix a payment date for any payment to the Bondholders.

## Supplemental Indentures

The Issuer and the Trustee may, without the consent of, or notice to, any of the Bondholders, enter into such indenture or indentures supplemental to the Indenture as shall not be inconsistent with the terms and provisions thereof

(a) to cure any ambiguity, defect or omission in the Indenture, or otherwise amend the Indenture, in such manner as shall not in the opinion of the Trustee impair the security under the Indenture;

(b) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Bondholders or the Trustee;

(c) to evidence any succession to the Issuer and the assumption by its successor of the covenants, agreements and obligations of the Issuer under the Indenture, the Agreement and the Bonds, to add additional covenants of the Issuer or surrender any right or power therein conferred upon the Issuer;

(d) to subject to the pledge of the Indenture additional revenues, properties, or collateral, which may be accomplished by, among other things, entering into instruments with the Company and/or other persons providing for further security, covenants, limitations or restrictions for the benefit of the Bonds;

(e) to modify the Indenture to permit qualification under the Trust Indenture Act of 1939, as amended, or any similar statute at the time in effect;

(f) to amend any provision pertaining to matters under federal income tax laws, including Section 148(f) of the Code;

(g) to authorize different Authorized Denominations of the Bonds and to make correlative amendments and modifications to the Indenture regarding exchangeability of Bonds of different Authorized Denominations, redemptions of portions of Bonds of particular Authorized Denominations and similar amendments and modifications of a technical nature;

(h) to increase or decrease the number of days specified for the giving of notices of mandatory tender and to make corresponding changes to the period for notice of redemption of the Bonds; *provided*, that no decreases in any such number of days will become effective except while the Bonds bear interest at a Daily Rate or a Weekly Rate and until 30 days after the Trustee has given notice to the owners of the Bonds;

(i) to provide for an uncertificated system of registering the Bonds or to provide for the change to or from a Book-Entry System for the Bonds;

(j) to evidence the succession of a new trustee or the appointment by the Trustee or the Issuer of a co-trustee;

(k) to make any change related to the Bonds that does not materially adversely affect the rights of any Bondholder;

(l) prior to, or concurrently with, the conversion of the Bonds to an Auction Rate Period, to make any change appropriate or necessary with respect to the procedures, definitions or provisions in the Indenture or in Exhibit B attached to the Indenture related to the Auction Mode Rate in order to provide for or facilitate the marketability of Bonds in the Auction Mode Rate; and

(m) to make any other changes to the Indenture that take effect as to any or all remarketed Bonds following a mandatory tender.

The Indenture also provides that the owners of not less than a majority in aggregate principal amount of the Bonds outstanding shall have the right, from time to time, to consent to and approve the execution by the Issuer and the Trustee of such other indenture or supplemental indentures as shall be deemed necessary and desirable by the Issuer and the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any supplemental indenture; *provided, however*, that nothing shall permit, without certain additional consents, (a) an extension of the maturity date of the principal of or the interest on any Bond; (b) a reduction in the principal amount of any Bond, the rate of interest thereon or any redemption premium; or (c) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture or for actions related to amendments to the Loan Agreement. A Favorable Opinion of Bond Counsel is required for any supplement to the Indenture.

When the Letter of Credit is in effect and so long as the Letter of Credit Bank has not wrongfully dishonored a drawing under the Letter of Credit or wrongfully repudiated the Letter of Credit, no waiver of or amendment or supplement to the Indenture other than certain of those enumerated in the Indenture shall be made without the prior written consent of the Letter of Credit Bank to such amendment or supplement.

### **Discharge of the Indenture**

If the whole amount of principal and interest due and payable on the Bonds has been paid and if, at the time of such payment, the Issuer shall have kept, performed and observed all the covenants and promises in such Bonds and in the Indenture required or contemplated to be kept, performed and observed by the Issuer or on its part on or prior to that time, then the Indenture shall be considered to have been discharged in respect of such Bonds and such Bonds shall cease to be entitled to the lien of the Indenture and such lien and all covenants, agreements and other obligations of the Issuer hereunder shall cease, terminate, become void and be completely discharged as to such Bonds.

### **No Personal Liability of Issuer's Officials**

No covenant, stipulation, obligation or agreement of the Issuer contained in the Indenture will be or be deemed to be a covenant, stipulation, obligation or agreement of any present or future member, officer, agent or employee of the Issuer in other than his or her official capacity.

No member of the Issuer or official executing the Bonds, the Indenture, the Loan Agreement or any amendment or supplement to the Indenture or the Loan Agreement will be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance or execution thereof.

### **Removal of Trustee**

The Trustee may be removed by the owners of not less than a majority in principal amount of Bonds at the time outstanding or by the Issuer and the Company. The Trustee shall continue to serve as such until a successor Trustee shall be appointed under the Indenture and has accepted such appointment.

### **THE REMARKETING AGREEMENT**

Morgan Stanley & Co. Incorporated has been appointed as the Remarketing Agent for the Bonds. If and to the extent the Company directs the Remarketing Agent to remarket the Bonds delivered for purchase pursuant to the Indenture, the Remarketing Agent, pursuant to and subject to the provisions of a remarketing agreement with the Company (the "Remarketing Agreement"), will offer for sale and use reasonable efforts to sell such Bonds at a price equal to 100% of the principal amount thereof plus accrued interest, if any, to the purchase date. The Remarketing Agent may resign by giving notice to the Issuer, the Company and the Trustee (such resignation will be effective upon the appointment of a successor remarketing agent or 30 days after such notice has been sent) and may suspend remarketing upon the occurrence of certain events. The Company may remove the Remarketing Agent at any time upon 30 days' notice and appoint a successor by notifying the Remarketing Agent, the Issuer and the Trustee.

### **THE TRUSTEE**

The Bank of New York Trust Company, N.A. serves as trustee under other indentures providing for certain tax-exempt bonds for the benefit of the Company. The Company and certain of its affiliates maintain banking relationships with affiliates of The Bank of New York, N.A. and borrow from such affiliates from time to time. The Bank of New York Trust Company, N.A., and its affiliates, serve as trustee under other indentures with, or for the benefit of, affiliates of the Company.

### **UNDERWRITING**

Subject to the terms and conditions set forth in a Bond Purchase Agreement ("Purchase Agreement") to be entered into between the Issuer and the Underwriter, the Underwriter has agreed to purchase the Bonds at a purchase price of 100% of the principal amount thereof. Under the terms and conditions of the Purchase Agreement, the Underwriter is committed to take and pay for all of the Bonds if any are taken. The Company has agreed to pay the Underwriter \$162,500 as compensation and to reimburse the Underwriter for its reasonable expenses.

The Issuer has been advised by the Underwriter that the Bonds may be offered and sold to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the public offering price set forth on the cover page of this Official Statement. After

the Bonds are released for sale to the public, the public offering price and other selling terms may from time to time be varied by the Underwriter.

In connection with this offering and in compliance with applicable law and industry practice, the Underwriter may overallocate or effect transactions which stabilize, maintain or otherwise affect the market price of the Bonds at levels above those which might otherwise prevail in the open market, including by entering stabilizing bids. A stabilizing bid means the placing of a bid, or the effecting of any purchase, for the purpose of pegging, fixing or maintaining the price of a security. In general, purchases of a security for the purpose of stabilization could cause the price of the security to be higher than it might be in the absence of such purchases.

Neither the Issuer, the Company nor the Underwriter makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Bonds. In addition, neither the Issuer, the Company nor the Underwriter makes any representation that the Underwriter will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

Pursuant to an Inducement Letter, the Company has agreed to indemnify the Underwriter and the Issuer against certain civil liabilities, including liabilities under the federal securities laws, or contribute to payments that the Underwriter or the Issuer may be required to make in respect thereof.

The Underwriter and/or certain of its affiliates may engage in transactions with, and from time to time have performed services for, the Company in the ordinary course of business.

### **CONTINUING DISCLOSURE AGREEMENT**

The Bonds are exempt from the continuing disclosure requirements of paragraph (b)(5) of Rule 15c2-12 (the "Rule") adopted by the Securities and Exchange Commission under the Securities Act of 1934 while they bear interest at a Daily Rate or Weekly Rate. The Company will covenant in the Agreement that in the event the Bonds are converted to an interest rate that would make the Bonds subject to the requirements of the Rule, the Company will comply with the requirements of the Rule and execute a continuing disclosure undertaking for the benefit of the beneficial owners of the Bonds, and to provide continuing information as required by the Rule.

### **TAX EXEMPTION**

#### **Opinion of Bond Counsel**

In the opinion of Bond Counsel, under current law, interest on the Bonds (a) will not be included in gross income for federal income tax purposes, except when held by a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code, and (b) will be exempt from all taxation by the State of West Virginia, except inheritance taxes. Interest on the Bonds is an item of tax preference for purposes of the federal alternative minimum income tax imposed on individuals and corporations. No other opinion is expressed

by Bond Counsel regarding the tax consequences of the ownership of or the receipt or accrual of interest on the Bonds.

Furthermore, the opinion of the bond counsel will express no opinion as to the effect on the excludability of the interest on the Bonds from gross income of (a) the occurrence of any conversion, (b) any other event for which the Indenture or the Loan Agreement requires the obtaining of a favorable opinion of Bond Counsel or (c) any amendment of the Indenture or the Loan Agreement or waiver of the terms thereof.

Bond Counsel's opinion will be given in reliance on certifications by representatives of the Issuer and the Company as to certain facts relevant to both the opinion and requirements of the Code, and is subject to the condition that there is compliance subsequent to the issuance of the Bonds with all requirements of the Code that must be satisfied in order for interest thereon to remain excludable from gross income for Federal income tax purposes. The Issuer and the Company have covenanted to comply with provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds. Failure by the Issuer or the Company to comply with such covenants could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issue.

The Internal Revenue Service (the "Service") has a program to audit state and local government obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the Service does audit the Bonds, under current Service procedures, the Service will treat the Issuer as the taxpayer and the owners of the Bonds will have only limited rights, if any, to participate.

Bond Counsel's opinion represents its legal judgment based in part upon the representations and covenants referenced therein and its review of existing law, but is not a guarantee of result or binding on the Service or the courts. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in law or the interpretation thereof that may thereafter occur or become effective.

### **Other Tax Matters**

In addition to the matters addressed above, prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including without limitation financial institutions, property and casualty insurance companies, S corporations, foreign corporations subject to the branch profits tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to the applicability and impact of such consequences.

Prospective purchasers of the Bonds should consult their own tax advisors as to the status of interest on the Bonds under the tax laws of any state other than West Virginia.



There are many events which could affect the value and liquidity or marketability of the Bonds after their issuance, including but not limited to public knowledge of an audit of the Bonds by the Service, a general change in interest rates for comparable securities, a change in federal or state income tax rates, legislative or regulatory proposals affecting state and local government securities and changes in judicial interpretation of existing law. In addition, certain tax considerations relevant to owners of Bonds who purchase Bonds after their issuance may be different from those relevant to purchasers upon issuance. Neither the opinion of Bond Counsel nor this Official Statement purport to address the likelihood or effect of any such potential events or such other tax considerations and purchasers of the Bonds should seek advice concerning such matters as they deem prudent in connection with their purchase of Bonds.

## LEGAL MATTERS

Certain legal matters relating to the authorization and validity of the Bonds will be subject to the approving opinion of Hunton & Williams, LLP, Richmond, Virginia, Bond Counsel, which will be furnished at the expense of the Company upon delivery of the Bonds, in substantially the form set forth as Appendix C (the "Bond Opinion"). The Bond Opinion will be limited to matters relating to authorization and validity of the Bonds and to the tax-exempt status of interest thereon as described in the section *TAX EXEMPTION*. Bond Counsel has not been engaged to investigate the financial resources of the Company or its ability to provide for payment of the Bonds, and the Bond Opinion will make no statement as to such matters or as to the accuracy or completeness of this Official Statement or any other information that may have been relied on by anyone in making the decision to purchase Bonds.

Certain legal matters will be passed upon by Jeffrey D. Cross or Thomas G. Berkemeyer, each as counsel for the Company. Jeffrey D. Cross is Deputy General Counsel of American Electric Power Service Corporation, an affiliate of the Company. Thomas G. Berkemeyer is Associate General Counsel of American Electric Power Service Corporation. Certain legal matters, other than the validity of the Bonds and the exclusion from gross income of interest thereon, will be passed upon by Dewey & LeBoeuf LLP, New York, New York, counsel for the Underwriter. Certain legal matters will be passed upon for the Letter of Credit Bank by its counsel, King & Spalding LLP. Hunton & Williams, LLP and Dewey & LeBoeuf LLP each act as counsel to certain affiliates of the Company for some matters.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

## MISCELLANEOUS

The attached Appendices (including documents incorporated by references therein) are an integral part of the Official Statement and must be read together with all of the balance of this Official Statement.

The Issuer does not assume any responsibility for the matters contained in this Official Statement other than information under *THE ISSUER*. All findings and determinations by the Issuer relating to the issuance and sale of the Bonds are, and have been, made by the Issuer for its own internal uses and purposes in performing its duties under West Virginia law.

**OHIO POWER COMPANY**

The Company is a public utility engaged in generating, purchasing, transmitting, distributing and selling electricity to approximately 712,000 retail customers in the northwestern, east central, eastern and southern sections of Ohio, and in supplying and marketing electric power at wholesale to other electric utility companies, municipalities and other market participants. Its principal executive office is 1 Riverside Plaza, Columbus, Ohio 43215 and the telephone number is (614) 716-1000. The Company is a subsidiary of American Electric Power Company, Inc. (AEP) and is a part of the AEP integrated utility system.

**AVAILABLE INFORMATION**

The Company is subject to the informational requirements of the Securities Exchange Act of 1934 (1934 Act) and in accordance therewith files reports and other information with the Securities and Exchange Commission (SEC). Such reports and other information may be inspected and copied at the public reference room maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC, Washington, D.C. 20549 at prescribed rates. The SEC may be contacted at 1-800-SEC-0330 for information on the public reference room. The SEC maintains a web site at <http://www.sec.gov> containing reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, including the Company. Certain of the Company's securities are listed on the New York Stock Exchange, Inc., where reports, information statements and other information concerning the Company may also be inspected.

**DOCUMENTS INCORPORATED BY REFERENCE**

The following documents filed with the SEC by the Company pursuant to the 1934 Act are incorporated by reference in this Appendix A and made a part of this Official Statement:

- The Company's Annual Report on Form 10-K for the year ended December 31, 2007,
- The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, and
- The Company's Current Reports on Form 8-K dated April 4, 2008 and May 6, 2008.

All documents subsequently filed by the Company with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the 1934 Act subsequent to the date of this Official Statement and prior to the termination of the offering of the securities offered by this Official Statement are to be incorporated by reference in this Appendix A and to be a part of this Official Statement from the date such documents are filed.

Any statement contained in a document so incorporated or deemed to be incorporated shall be deemed to be modified or superseded for purposes of this Official Statement to the

extent that a statement contained herein or in any other subsequently filed document which is deemed to be so incorporated 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 Appendix A.

The Company will provide without charge to each person to whom a copy of this Official Statement has been delivered, on the written or oral request of any such person, a copy of any or all of the documents described above which have been incorporated by reference in this Appendix A, other than exhibits to such documents. Written requests for copies of such documents should be addressed to Financial Reporting, American Electric Power Service Corporation, 1 Riverside Plaza, Columbus, Ohio 43215 (telephone number: 614-716-1000). The information relating to the Company contained in this Appendix A does not purport to be comprehensive and should be read together with the information contained in the documents incorporated by reference.

### **RISK FACTORS**

Investing in the Bonds involves risk. Please see the risk factors described in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007 and its Quarterly Report on Form 10-Q for the quarter ended March 31, 2008, which are incorporated by reference in this Official Statement. Before making an investment decision, you should carefully consider these risks as well as other information contained or incorporated by reference in this Official Statement. The risks and uncertainties described are those presently known to the Company. Additional risks and uncertainties not presently known to the Company or that the Company currently deems immaterial may also impair the Company's business operations, its financial results and the value of the Bonds.

### **RATIO OF EARNINGS TO FIXED CHARGES**

The Ratio of Earnings to Fixed Charges for each of the periods indicated is as follows:

<u>Twelve Months Period Ended</u>	<u>Ratio</u>
December 31, 2003	4.08
December 31, 2004	3.34
December 31, 2005	3.98
December 31, 2006	3.32
December 31, 2007	3.40
March 31, 2008	3.88

The Ratio of Earnings to Fixed Charges for the three months ended March 31, 2008 was 5.70. For the purposes of calculating the Ratio of Earnings to Fixed Charges, "earnings" represents income before income taxes, extraordinary items, and cumulative effect of accounting changes, plus fixed charges. "Fixed charges" consist of interest expense, amortization of debt issuance costs, and the portion of operating rental expense which management believes is representative of the interest within rental expense.

For current information on the Ratio of Earnings to Fixed Charges, please see the Company's most recent Form 10-K and 10-Q. See *Available Information*.

#### **INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The consolidated financial statements and the related consolidated financial statement schedule incorporated by reference in this Official Statement from the Ohio Power Company Consolidated Annual Report on Form 10-K for the year ended December 31, 2007 have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports incorporated by reference herein (which reports express an unqualified opinion and, as to the report related to the consolidated financial statements, includes an explanatory paragraph concerning the adoption of new accounting pronouncements in 2005, 2006 and 2007).

**DESCRIPTION OF THE ROYAL BANK OF SCOTLAND GROUP PLC****General**

The Royal Bank of Scotland Group plc ("RBSG") is the holding company of one of the world's largest banking and financial services groups, with a market capitalisation of £44.4 billion at 31 December 2007. Headquartered in Edinburgh, RBSG operates in the UK, the US and internationally through its two principal subsidiaries, The Royal Bank of Scotland plc ("RBS") and National Westminster Bank Plc ("NatWest"). Both RBS and NatWest are major UK clearing banks whose origins go back over 275 years. RBSG has a large and diversified customer base and provides a wide range of products and services to personal, commercial and large corporate and institutional customers.

RBSG's operations are conducted principally through RBS and its subsidiaries (including NatWest) other than ABN AMRO businesses (see below) and the general insurance business (primarily Direct Line Group and Churchill Insurance).

RBSG had total assets of £1,900.5 billion and total equity (including minority interests) of £91.4 billion at 31 December 2007. RBS had total assets of £1,115.7 billion and shareholders' equity of £47.7 billion at 31 December 2007. RBSG had a total capital ratio of 11.2 per cent. and tier 1 capital ratio of 7.3 per cent as at 31 December 2007.

The short-term unsecured and unguaranteed debt obligations of RBS are currently rated A-1+ by S&P, P-1 by Moody's and F1+ by Fitch. The long-term senior unsecured and unguaranteed debt obligations of RBS are currently rated AA by S&P, Aaa by Moody's and AA by Fitch.

**ABN AMRO**

On 17 October 2007, RFS Holdings B.V. (RFS Holdings), a company jointly owned by RBSG, Fortis N.V., Fortis SA/NV and Banco Santander S.A.) (the "Consortium Banks") and controlled by RBSG, completed the acquisition of ABN AMRO Holding N.V. (ABN AMRO). ABN AMRO is a major international banking group with a leading position in international payments and a strong investment banking franchise with particular strengths in emerging markets, as well as offering a range of retail and commercial financial services around the world via regional business units in Europe, the Netherlands, North America, Latin America and Asia. RFS Holdings is in the process of implementing an orderly separation of the business units of ABN AMRO with RBS principally retaining ABN AMRO's global wholesale businesses and international retail businesses in Asia and the Middle East. Certain other assets will continue to be shared by the Consortium Banks.

## **Rights Issue**

On 22 April 2008 RBSG announced a proposed rights issue to increase its capital base. This is expected to raise proceeds of £12.0 billion, net of expenses. The issue is being made on the basis of 11 new shares for every 18 existing shares at an issue price of 200 pence per RBS share. This represents a 34.9% discount to the theoretical ex-rights price and 46.3% discount to the closing price of RBS shares of 372.5 pence per share on 21 April 2008.

A prospectus in connection with the rights issue was published on 30 April 2008. Shareholders subsequently approved the rights issue at a General Meeting on 14 May 2008.

The nil paid trading period commenced on 15 May 2008 and dealings in new fully paid shares are expected to commence on 9 June 2008. The rights issue is fully underwritten by Goldman Sachs International, Merrill Lynch International and UBS Limited.

PROPOSED FORM OF OPINION OF BOND COUNSEL

HUNTON & WILLIAMS LLP  
RIVERFRONT PLAZA, EAST TOWER  
951 EAST BYRD STREET  
RICHMOND, VIRGINIA 23219-4074

TEL 804 • 788 • 8200  
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FILE 48503.8

June 5, 2008

West Virginia Economic Development Authority  
Charleston, West Virginia 25301

West Virginia Economic Development Authority  
\$65,000,000 West Virginia Economic Development Authority  
Solid Waste Disposal Facilities Revenue Refunding Bonds  
(Ohio Power Company - Mitchell Project), Series 2008A

Ladies and Gentlemen:

We have examined the applicable law, including the Constitution of West Virginia, the West Virginia Economic Development Authority Act (Chapter 31, Article 15, Section 1, et seq. the Code of West Virginia, 1931, as amended) (the "Act"), and other laws to the extent we deem necessary, and certified copies of proceedings and other papers relating to the issuance and sale by West Virginia Economic Development Authority (the "Issuer"), a body corporate and politic, constituting a public corporation and governmental instrumentality of the State of West Virginia, of the Issuer's \$65,000,000 West Virginia Economic Development Authority Solid Waste Disposal Facilities Revenue Refunding Bonds (Ohio Power Company - Mitchell Project), Series 2008A (the "Bonds"), maturing, subject to redemption, and bearing interest as set forth in the Bonds.

The Bonds recite that they have been issued pursuant to the Act for the purpose of refunding the \$65,000,000 West Virginia Economic Development Authority Solid Waste Disposal Facilities Revenue (Ohio Power Company - Mitchell Project), Series 2006A (the "Prior Bonds"). The Prior Bonds were issued to finance the costs of acquiring, constructing and equipping certain solid waste disposal facilities (the "Project") located at the Mitchell Plant in Marshall County, West Virginia, owned and operated by Ohio Power Company, an Ohio corporation (the "Company"), with the proceeds of the Bonds



being loaned to the Company pursuant to a Loan Agreement dated as of June 1, 2008 (the "Loan Agreement"), between the Issuer and the Company.

The Bonds are special obligations of the Issuer payable solely from the revenues and receipts derived from a promissory note issued by the Company (the "Note") pursuant to the Loan Agreement and funds drawn under the Letter of Credit (defined below). The Bonds are issued under and are equally and ratably secured by an Indenture of Trust dated as of June 1, 2008 (the "Indenture"), between the Issuer and The Bank of New York Trust Company, N.A., as trustee (the "Trustee"). The Indenture purports to assign and pledge the Issuer's rights under the Loan Agreement (except for Unassigned Issuer's Rights, as defined in the Indenture) to the Trustee as security for the Bonds.

Reference is made to the opinion of counsel to the Company, Thomas G. Berkemeyer, Esquire, Associate General Counsel in the Legal Department of American Electric Power Service Corporation, an affiliate of the Company, with respect to the corporate status and qualification to do business of the Company, the authorization, execution and the delivery of the Loan Agreement by the Company, the binding effect and enforceability of the Loan Agreement upon the Company, and any governmental approvals of any governmental agency required for the Company's entry into and performance under the Loan Agreement or the undertaking by the Company of its obligations under the Loan Agreement with respect to the Bonds.

Without undertaking to verify the same by independent investigation, we have relied on certifications by representatives of the Company and the Issuer with respect to certain facts relevant to both our opinion and the requirements of the Internal Revenue Code of 1986, as amended (the "Code"). The Company and the Issuer have covenanted to comply with the provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds, all as set forth in the proceedings and documents providing for the issuance of the Bonds (the "Covenants").

The Royal Bank of Scotland plc (the "Bank") has issued its direct-pay Letter of Credit (the "Letter of Credit") with respect to the Bonds. Reference is made to the Letter of Credit for a full statement of its terms and conditions and to the opinion of King & Spalding LLP as to the due authorization, execution and delivery of the Letter of Credit and the enforceability thereof, upon which you are relying as to matters therein. No opinion as to such matters is expressed herein.

Based on the foregoing and assuming the due authorization, execution and delivery of all documents by parties, we are of the opinion that:

1. The Issuer is validly organized and existing under West Virginia law with full power and authority to execute and deliver the Indenture and Loan Agreement and to issue and sell the Bonds.

2. The issuance of the Bonds has been duly authorized by the Issuer. The Bonds have been issued in accordance with the Act and constitute valid and binding limited obligations of the Issuer, payable as to principal, purchase price, premium (if any) and interest solely from the revenues and receipts derived from the Loan Agreement and the Letter of Credit. The Bonds shall not constitute a debt or a pledge of the faith and credit or taxing power of the State of West Virginia or of any county, municipality or any other political subdivision of the State of West Virginia, and the holders and owners thereof shall have no right to have taxes levied by the legislature of the State of West Virginia or the taxing authority of any county, municipality or any other political subdivision of the State of West Virginia for the payment of the principal of, interest on or purchase price of the Bonds, and their purchase price shall be payable solely from revenues and funds pledged for such payment as authorized by the Act.

3. The Loan Agreement has been duly authorized, executed and delivered by the Issuer, constitutes a valid and binding agreement of the Issuer and is enforceable against the Issuer in accordance with its terms. The Note has been duly assigned to the Trustee.

4. The Indenture has been duly authorized, executed and delivered by the Issuer, constitutes a valid and binding agreement of the Issuer, assigns and pledges to the Trustee as security for the Bonds all of the rights of the Issuer under the Loan Agreement (except for Unassigned Rights) and is enforceable against the Issuer in accordance with its terms. The Indenture creates a valid lien in favor of the Trustee in and to such rights.

5. The rights of the owners of the Bonds and the enforceability of such rights, including enforcement by the Trustee of the obligations of the Issuer under the Indenture and the Loan Agreement, may be limited or otherwise affected by (a) bankruptcy, insolvency, reorganization, moratorium and other laws affecting the rights of creditors generally and (b) principles of equity, whether considered at law or in equity.

6. Under current law, interest on the Bonds is not included in gross income for Federal income tax purposes, except when held by a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code. The opinion set forth in the preceding sentence is subject to the condition that all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest on the Bonds be, or continue to be, not included in gross income for Federal income tax purposes are so satisfied, and therefore failure by the Issuer or the Company to comply with the Covenants, among other things, could cause interest on the Bonds to be included in gross income for Federal income tax purposes retroactively to their date of issue. Interest on the Bonds is an item of tax preference for purposes of the Federal alternative minimum income tax imposed on individuals and corporations. We express no opinion regarding other Federal tax consequences of the ownership of or receipt or accrual of interest on the Bonds. Furthermore, we express no opinion as to the effect on the excludability of the interest on the Bonds from gross income of (a) the occurrence of any change in interest rate Determination Method, as defined in the Indenture, (b) any other event for which the Indenture or the Loan Agreement requires the obtaining of a

Favorable Opinion of Tax Counsel, as defined in the Indenture, or (c) any amendment of the Indenture or the Loan Agreement or waiver of the terms thereof.

7. Under the Act, the interest on the Bonds is exempt from taxation by the State of West Virginia, except for inheritance taxes. No opinion is expressed with respect to the exemption of interest from income taxation under West Virginia law on any Bond for any period during which it is held by a person who is a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Code.

Our services as bond counsel to the Issuer have been limited to rendering the foregoing opinion based on our review of such proceedings and documents as we deem necessary to approve the validity of the Bonds and the tax-exempt status of the interest thereon. We have not made any investigation concerning the business or financial resources of the Company or the Bank, and therefore we express no opinion herein as to the accuracy or completeness of any information that may have been relied upon by any purchasers in making their decision to purchase the Bonds, including the information contained in the official statement of the Issuer with respect to the Bonds dated May 29, 2008.

Very truly yours,

\_\_\_\_/\_\_\_\_

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