Avista Corp.
1411 East Mission PO Box 3727
Spokane, Washington 99220-3727
Telephone 509-489-0500
Toll Free 800-727-9170

AVISTA Corp.

January 13, 2009

State of Washington
Washington Utilities and Transportation Commission
1300 Evergreen Park Drive South
Olympia WA 98504

Attention: Ms. Carole Washburn, Secretary

Docket No. UE - 081859

We are submitting the following information in compliance with the Commission's Order No. 1 under Docket No. UE-081859 for the sale of up to $83,700,000 of debt securities.

Avista Corporation issued the $17,000,000 principal amount of debt securities on December 30, 2008 at a variable rate. The maturity remains March 1, 2034. The Underwriter for this issuance was Banc of America Securities LLC. The series was offered at a price of 100.00%. The underwriter fee for the issue was 0.25% leaving a net price to the Company of 99.75% or total net proceeds of $16,957,500. The net proceeds amount does not incorporate other issuance costs such as legal, accounting, ratings and other. See the enclosed Official Statement for more details on the transaction.

The Company anticipates using the remaining authority under the above order to refund the remaining $66.7 million of pollution control bonds sometime in 2009. The Company purchased the bonds on December 31, 2008 and expects that at a later date, subject to market conditions, the bonds will be reissued to unaffiliated investors.

Please contact Paul Kimball at (509) 495-4584 if you have any questions.

Sincerely,

Diane C. Thoren
Assistant Treasurer

Enclosure

NEW ISSUE—BOOK ENTRY ONLY

Subject to compliance by the Issuer and the Company with certain covenants, in the opinion of Bond Counsel, under present law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes, except for interest on any Bond for any period during which such Bond is owned by a person who is a substantial user of the Project or any person considered to be related to such person (within the meaning of Section 103(b)(13) of the Internal Revenue Code of 1954, as amended), but such interest is included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations. Bond Counsel is also of the opinion that, under the laws of the State of Montana, as presently enacted and construed, interest on the Bonds will be exempt from the Individual Income Tax imposed pursuant to Title 15, Chapter 30 of the Montana Code Annotated. However, interest on the Bonds will be subject to the Montana Corporate License and Income Tax imposed under Title 15, Chapter 31 of the Montana Code Annotated. See "TAX EXEMPTION" herein for a more complete discussion.

$17,000,000
CITY OF FORSYTH, MONTANA
Pollution Control Revenue Refunding Bonds
(Avista Corporation Colstrip Project)
Series 2008 (AMT)

Dated: Date of Initial Delivery **Due: March 1, 2034**

THE BONDS (AS HEREINAFTER DEFINED) ARE LIMITED OBLIGATIONS OF THE CITY OF FORSYTH, MONTANA (THE "ISSUER") AND, EXCEPT TO THE EXTENT PAYABLE FROM BOND PROCEEDS, DRAWS UNDER THE HEREINAFTER-DESCRIBED LETTER OF CREDIT AND ANY OTHER MONEYS PLEDGED THEREFOR, WILL BE PAYABLE SOLELY FROM AND SECURED BY A PLEDGE OF PAYMENTS TO BE MADE UNDER A LOAN AGREEMENT (AS HEREINAFTER DEFINED) ENTERED INTO BY THE ISSUER WITH:

Avista Corporation

The Bonds will be initially issued in book-entry form only, registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Bonds. Beneficial Owners (as defined herein) will not receive certificates representing their ownership of the Bonds. Interest on, principal of, and premium, if any, on the Bonds are payable by The Bank of New York Mellon Trust Company, N.A., Seattle, Washington, as trustee, to Cede & Co., as nominee of DTC. DTC will in turn make payments to its direct and indirect participants, who will in turn make payments to the Beneficial Owners of the Bonds. See "THE DAILY INTEREST RATE BONDS—Book-Entry Only System."

The Bonds are Daily Interest Rate Bonds and will be issued in the denomination of $100,000 or any integral multiple of $5,000 in excess thereof while they bear interest at a Daily Interest Rate. The Daily Interest Rate Bonds initially will bear interest on their date of initial delivery at the interest rate established by Banc of America Securities LLC prior to such date and thereafter at Daily Interest Rates established as described herein during the Daily Interest Rate Period. Interest during the Daily Interest Rate Period will be payable on the first business day of each calendar month, commencing February 2, 2009. The Bonds may be adjusted from a Daily Interest Rate Period to a different Rate Period, following mandatory tender for purchase on the adjustment date, as described herein.

From the date of initial delivery of the Bonds through December 30, 2009, unless extended or earlier terminated or replaced, principal of and interest on the Bonds, and the purchase price of the Bonds tendered for payment as described herein will be payable from funds drawn under an irrevocable direct-pay Letter of Credit issued in favor of the Trustee by

Bank of America, N.A.

The Letter of Credit is the direct obligation of Bank of America, N.A. (the "Bank") to pay the Trustee, in conformity with the terms thereof, sums up to the principal amount of the Bonds and up to 35 days of accrued interest on the Bonds (calculated at an assumed maximum interest rate of 12% per annum).

The Bonds are subject to optional and mandatory redemption and to optional and mandatory tender for purchase prior to maturity in the manners and at the times described herein.

THE BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT, LIABILITY OR GENERAL OBLIGATION OF THE ISSUER, THE STATE OF MONTANA OR OF ANY POLITICAL SUBDIVISION THEREOF, OR A PLEDGE OF THE FAITH AND CREDIT OF THE ISSUER, THE STATE OF MONTANA OR OF ANY SUCH POLITICAL SUBDIVISION, BUT SHALL BE PAYABLE SOLELY FROM THE REVENUES AND PROCEEDS PROVIDED THEREFOR. THE ISSUER SHALL NOT BE OBLIGATED TO PAY THE SAME OR INTEREST THEREON EXCEPT FROM THE REVENUES AND PROCEEDS PLEDGED THEREFOR, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE ISSUER, THE STATE OF MONTANA OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE BONDS.

Price: 100%

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

The Bonds are offered when, as and if issued by the Issuer and accepted by the Underwriter, subject to the approval of legality by Chapman and Cutler LLP, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Company by Marian M. Durkin, Esq., Senior Vice President, General Counsel and Chief Compliance Officer of the Company, and Dewey & LeBoeuf LLP, for the City of Forsyth, Montana by Gary Ryder, Esq., City Attorney, for the Bank by Moore & Van Allen, PLLC, and for the Underwriter by Kutak Rock LLP. It is expected that delivery of the Bonds will be made in book-entry form through the facilities of DTC in New York, New York on or about December 30, 2008 against payment therefor.

Banc of America Securities LLC

December 22, 2008

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Trustee

The Bank of New York Mellon Trust Company, N.A.
Two Union Square, Suite 520
601 Union Street
Seattle, WA 98101-2321
Attn: Corporate Trust Administration

Remarketing Agent

Banc of America Securities LLC
214 North Tryon St.
Charlotte, NC 28255
Attn: Short-Term Desk

No broker, dealer, salesman or other 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 offering made hereby, and, if given or made, such information or representations must not be relied upon as having been authorized by the Issuer, Avista Corporation (the "Company"), the Bank or Banc of America Securities LLC (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 Company or the Bank 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 has not assumed and will not assume any responsibility as to the accuracy or completeness of the information in this Official Statement other than that relating to itself under the caption "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 part of, its responsibilities to investors under 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.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SECURITIES OFFERED HEREBY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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THE BONDS HAVE NOT BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COMPANY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT

$17,000,000
City of Forsyth, Montana
Pollution Control Revenue Refunding Bonds
(Avista Corporation Colstrip Project)
Series 2008 (AMT)
Due: March 1, 2034

INTRODUCTORY STATEMENT

This Official Statement, including the Appendices hereto and the documents incorporated by reference herein, is provided to furnish certain information with respect to the offer by the Issuer of its $17,000,000 aggregate principal amount City of Forsyth, Montana Pollution Control Revenue Refunding Bonds (Avista Corporation Colstrip Project) Series 2008 (the "Bonds").

The Bonds will be issued under a Trust Indenture dated as of December 1, 2008 (the "Indenture") between the City of Forsyth, Montana (the "Issuer") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), and under a resolution of the governing body of the Issuer. Pursuant to a Loan Agreement dated as of December 1, 2008 (the "Loan Agreement") between Avista Corporation (the "Company") and the Issuer, the Issuer will lend the proceeds from the sale of the Bonds to the Company. The proceeds from the sale of the Bonds will be used, together with certain other moneys of the Company, to refund all of the following outstanding revenue refunding bonds for redemption on December 31, 2008: $17,000,000 principal amount of City of Forsyth, Montana Pollution Control Revenue Refunding Bonds, Series 1999B (Avista Corporation Colstrip Project) due March 1, 2034 (the "Prior Bonds"). The Prior Bonds were used to refinance various pollution control and solid waste disposal facilities as described herein. See "THE FACILITIES."

The Letter of Credit

Concurrently with the issuance and delivery of the Bonds, the Company will cause to be delivered to the Trustee an irrevocable direct-pay letter of credit with respect to the Bonds (the "Letter of Credit") issued by Bank of America, N.A. (the "Bank"). The Letter of Credit is being issued in an amount equal to the principal amount of the Bonds plus 35 days of interest computed at the rate of 12% per annum (the "Stated Amount"). The Trustee is required under the Indenture to draw under the Letter of Credit in order to provide for the timely payment of the principal of and interest on the Bonds and the purchase price of such Bonds tendered for purchase. The Letter of Credit will initially expire on December 30, 2009, unless earlier terminated or extended as provided herein. The Company will enter into a Letter of Credit and Reimbursement Agreement dated as of December 1, 2008 (the "Reimbursement Agreement"), providing for reimbursement to the Bank of amounts drawn under the Letter of Credit and the payment of certain fees to the Bank. See "THE LETTER OF CREDIT" herein.

The Bonds will initially bear interest at an adjustable Daily Interest Rate as described herein under "THE DAILY INTEREST RATE BONDS." The interest rate on the Bonds can be adjusted from the Daily Interest Rate to other interest rates following mandatory tender for purchase upon 15 days' written notice. THIS OFFICIAL STATEMENT DOES NOT PROVIDE ANY INFORMATION REGARDING THE BONDS AFTER THE DATE, IF ANY, ON WHICH SUCH BONDS ADJUST TO BEAR INTEREST AT INTEREST RATES OTHER THAN A DAILY INTEREST RATE.

The Bonds shall not be deemed to constitute a debt, liability or general obligation of the Issuer, the State of Montana or of any political subdivision thereof, or a pledge of the faith and credit of the Issuer, the State of Montana or of any such political subdivision, but shall be payable solely from the revenues and proceeds provided therefor. The Issuer shall not be obligated to pay the same or interest thereon except from the revenues and proceeds pledged therefor, and neither the faith and credit nor the taxing power of the Issuer, the State of Montana or of any political subdivision thereof is pledged to the payment of the principal of or the interest on the Bonds. The Bonds shall be payable solely from the receipts and revenues to be received from the Company as payments under the Loan Agreement and from any other moneys pledged therefor. The Loan Agreement, such receipts and revenues and all of the Issuer's rights and interests under the Loan Agreement (except as noted under "THE INDENTURE—Pledge and Security" below) will be pledged and assigned to the Trustee as security, equally and ratably, for the payment of the Bonds. The payments required to be made by the Company under the Loan Agreement will be sufficient to pay the principal of, premium, if any, and interest on the Bonds. Under no circumstances will the Issuer have any obligation, responsibility or liability with respect to the Facilities (as defined below), the Loan Agreement, the Indenture, the Bonds or this Official Statement (except with respect to itself under the caption "THE ISSUER" hereunder), except for the special limited obligation set forth in the Indenture and the Loan Agreement whereby the Bonds are payable solely from amounts derived from the Company. Nothing contained in the Indenture, the Bonds or the Loan Agreement, or in any other related documents, shall be construed to require the Issuer to operate, maintain or have any responsibility with respect to any of the Facilities. The Facilities do not and shall not constitute any part of the trust estate or any part of the security for the Bonds. The Issuer has no liability in the event of wrongful disbursement by the Trustee or otherwise. No recourse shall be had against any past, present or future commissioner, officer, employee, official or agent of the Issuer under the Indenture, the Bonds, the Loan Agreement or any related document.

Brief descriptions of the Issuer and the Facilities, and summaries of certain provisions of the Bonds, the Loan Agreement, the Indenture, the Letter of Credit and the Reimbursement Agreement, are included in this Official Statement, including the Appendices hereto. Information regarding the business, properties and financial condition of the Company and the Bank are included in and incorporated by reference in Appendix A hereto and under "THE LETTER OF CREDIT—The Bank," respectively. The proposed form of opinion of Bond Counsel is included in Appendix B hereto. The descriptions herein of the Loan Agreement, the Indenture, the Letter of Credit and the Reimbursement Agreement are qualified in their entirety by reference to such documents, and the descriptions herein of the Bonds are qualified in their entirety by reference to the forms 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 the enforcement of creditors' rights generally. Copies of such documents may be obtained from the corporate trust office of the Trustee at Two Union Square, Suite 520, 601 Union Street, Seattle, WA 98101-2321, Attention: Corporate Trust Administration.

THE ISSUER

City of Forsyth, Montana

The City of Forsyth is a municipal corporation and political subdivision duly organized and existing under the laws of the State of Montana and is authorized and empowered by the provisions of Sections 90-5-101 through 90-5-114, inclusive, of the Montana Code Annotated, as amended (the "Montana Act"), to issue the Bonds, to enter into the Indenture and the Loan Agreement to which it is a party and to secure the Bonds by a pledge to the Trustee of the payments to be made by the Company under the Loan Agreement.

THE FACILITIES

The Prior Bonds were issued by the Issuer to refinance the Company's undivided ownership interest in certain pollution control and solid waste disposal facilities at the coal-fired steam electric generating plant known as Colstrip Project Units 3 and 4 in Colstrip, Rosebud County, Montana (the "Plant").

The pollution control and solid waste disposal facilities at the Plant are referred to herein collectively as the "Facilities." The Company's undivided ownership interest in the Facilities is referred to herein as the "Project."

USE OF PROCEEDS

All of the proceeds from the sale of the Bonds, including investment earnings thereon and other moneys to be provided by the Company prior to the redemption date from other sources of funds available to it, will be applied to the payment of the redemption price of the entire $17,000,000 outstanding principal amount of the Prior Bonds, which redemption price is equal to 100% of the principal amount thereof, plus accrued interest to, but not including, the redemption date, December 31, 2008.

THE DAILY INTEREST RATE BONDS

The following is a summary of certain provisions of the Bonds. Capitalized terms used herein and not otherwise defined in this Official Statement are used as defined in the Indenture.

THIS OFFICIAL STATEMENT DOES NOT PROVIDE ANY INFORMATION REGARDING THE BONDS AFTER THE DATE, IF ANY, ON WHICH SUCH BONDS ADJUST TO BEAR INTEREST, AS PERMITTED BY THE INDENTURE, AT INTEREST RATES OTHER THAN A DAILY INTEREST RATE. THE BONDS ARE SUBJECT TO MANDATORY TENDER IN THE EVENT OF ANY SUCH ADJUSTMENT. See "THE DAILY INTEREST RATE BONDS—Mandatory Tender for Purchase."

General

The Bonds will be dated their date of original authentication and delivery (the "Issue Date"), will mature on March 1, 2034 and initially will be Daily Interest Rate Bonds in a Daily Interest Rate Period. The Bonds initially will bear interest on the Issue Date at the interest rate established by Banc of America Securities LLC prior to the Issue Date. Thereafter, the Bonds will bear interest at the Daily Interest Rate for the Daily Interest Rate Period, unless adjusted to Rate Period other than the Daily Interest Rate Period. Interest on the Bonds during the Daily Interest Rate Period will be computed upon the basis of a 365- or 366-day year, as applicable for the number of days actually elapsed, and will be payable on the first Business Day of each calendar month, commencing February 2, 2009. The Bonds will be registered in the name of Cede & Co., as registered owner and nominee for DTC. The Bonds can be adjusted to Rate Periods other than Daily Interest Rate Periods. The Bonds will be issued as fully registered bonds without coupons and in denominations of $100,000 or any integral multiple of $5,000 in excess thereof (an "Authorized Denomination") while they bear interest at a Daily Interest Rate.

Certain Definitions

"*Available Moneys*" means (a) during such time as a Credit Facility is in effect, (i) moneys on deposit in trust with the Trustee as agent and bailee for the Owners of the Bonds for a period of at least 123 days prior to and during which no petition in bankruptcy or similar insolvency proceeding has been filed by or against the Company or the Issuer (or any subsidiary of the Company, any guarantor of the Company or any insider (as defined in the United States Bankruptcy Code), to the extent that such moneys were deposited by any of such subsidiary, guarantor or insider) or is pending (unless such petition shall have been dismissed and such dismissal shall be final and not subject to appeal) and (ii) (A) proceeds of the issuance of refunding bonds (including proceeds from the investment thereof), and (B) any other moneys, if, in the written opinion of nationally recognized counsel experienced in bankruptcy matters selected by the Company (which opinion shall be in a form acceptable to the Trustee, to Moody's Investors Service, Inc. ("Moody's"), if the Bonds are then rated by Moody's, and to Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. ("S&P"), if the Bonds are then rated by S&P, and shall be delivered to the Trustee at or prior to the time of the deposit of such proceeds with the Trustee), the deposit and use of such proceeds (referred to in clause (A) above) or other moneys (referred to in clause (B) above) will not constitute a voidable preference under Section 547 of the United States Bankruptcy Code in the event either the Issuer or the Company were to become a debtor under the United States Bankruptcy Code, and (b) at any time that a Credit Facility is not in effect, any moneys on deposit with the Trustee as agent and bailee for the Owners of the Bonds and proceeds from the investment thereof.

"*Bond Payment Date*" means any Interest Payment Date and any other date on which the principal of, and premium, if any, and interest on, the Bonds is to be paid to the Owners thereof, whether upon redemption, at maturity or upon acceleration of maturity of the Bonds.

"*Business Day*" means any day except a Saturday, Sunday or other day (a) on which commercial banks located in the cities in which the Principal Office of the Provider, the Principal Office of the Trustee, the Principal Office of the Company, the Principal Office of the Remarketing Agent or the Principal Office of the Paying Agent are located are required or authorized by law to remain closed or are closed, or (b) on which The New York Stock Exchange is closed.

"*Change of Credit Facility*" means (a) the delivery of a Credit Facility (or evidence thereof) to the Trustee, (b) the termination of an existing Credit Facility or (c) a combination of (a) and (b), in each case in accordance with the Loan Agreement, as described herein under "THE LOAN AGREEMENT—Change of Credit Facility."

"*Credit Facility*" means a facility provided in accordance with the Loan Agreement to provide security or liquidity for the Bonds. The term "Credit Facility" includes, by way of example and not of limitation, one or more letters of credit, bond insurance policies, standby bond purchase agreements, lines of credit, first mortgage bonds, other Company mortgage bonds and other security instruments or liquidity devices. A Credit Facility may have an expiration date earlier than the maturity of the Bonds. The initial Credit Facility is the Letter of Credit.

"*Credit Facility Agreement*" means any agreement between the Company and the Provider and relating to the Credit Facility then in effect. The initial Credit Facility Agreement is the Reimbursement Agreement.

"*Delivery Office*" means, initially, The Bank of New York Mellon Trust Company, N.A., Two Union Square, Suite 520, 601 Union Street, Seattle, Washington 98101-2321, Attn: Corporate Trust Administration, or, with respect to a surrender of the Bonds for purposes of transfer or exchange, or with

respect to a change in the initial address, such other office designated as such by the Trustee in writing to the Remarketing Agent, the Registrar, the Issuer, the Provider and the Company.

"*Favorable Opinion of Bond Counsel*" means an opinion of Chapman and Cutler LLP or any other firm of nationally recognized bond counsel selected by the Company, addressed to the Issuer and the Trustee, to the effect that the proposed action is not prohibited by the Montana Act or the Indenture or the Loan Agreement, as applicable, and will not adversely affect the Tax-Exempt status of the Bonds.

"*Interest Payment Date*" means (with respect to the Daily Interest Rate Period):

(a) the first Business Day of each calendar month; and

(b) the day next succeeding the last day of the Daily Interest Rate Period.

"*Maximum Interest Rate*" means 18% per annum, provided that in the event a Credit Facility is in effect, the "Maximum Interest Rate" will mean the lesser of 18% per annum or any interest coverage rate specified in the Credit Facility, which interest coverage rate is 12% per annum while the Letter of Credit is in effect.

"*Owner*" means the registered owner of any Bond; provided, however, when used in the context of the Tax-Exempt status of the Bonds, the term "Owner" shall include a Beneficial Owner.

"*Pledged Bonds*" means Bonds purchased with moneys drawn under the Credit Facility following the optional or mandatory tender for purchase thereof pursuant to the Indenture to be deemed owned by the Company for purposes of granting a first priority lien upon Pledged Bonds under the Indenture, registered in the name of the Provider, as pledgee, or in the name of the Trustee (or its nominee), as agent for the Provider, delivered to or upon the direction of the Provider pursuant to the Indenture.

"*Provider*" and "*Provider of the Credit Facility*" means the provider of the Credit Facility. The initial Provider is the Bank.

"*Provider Default*" means any of the following events:

(a) the failure of the Provider to make any payment required under the Credit Facility when the same shall become due and payable or the Credit Facility shall for any reason cease to be in full force and effect;

(b) a decree or order for relief shall be entered by a court or insurance regulatory authority having jurisdiction over the Provider in an involuntary case under an applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, custodian, trustee, sequestrator (or similar official) of the Provider or for any substantial part of the property of the Provider or ordering the winding-up or liquidation of the affairs of the Provider, and the continuance of any such decree or order shall be unstayed and remain in effect for a period of 60 consecutive days thereafter; or

(c) the Provider shall commence a voluntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or the Provider shall consent to or acquiesce in the entry of an order for relief in an involuntary case under any such law, or the Provider shall consent to the appointment of or taking of possession by a receiver, liquidator, trustee, custodian, sequestrator (or similar official) of the Provider or for any

substantial part of its property, or the Provider shall make a general assignment for the benefit of creditors, or the Provider shall fail generally or admit in writing its inability to pay its debts as such debts become due, or the Provider shall take corporate action in contemplation or furtherance of any of the foregoing.

"*Rate Period*" means any Daily Interest Rate Period or other Rate Period as provided by the Indenture.

"*Record Date*" means, with respect to a Daily Interest Rate Period, the Business Day next preceding each Interest Payment Date.

"*Remarketing Agent*" means, initially, Banc of America Securities LLC or such other person serving from time to time as Remarketing Agent under the Indenture.

"*SIFMA Swap Index*" means, on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data, Inc., and published or made available by the Securities Industry & Financial Markets Association (formerly the Bond Market Association) ("SIFMA") or any person acting in cooperation with or under the sponsorship of SIFMA and effective from such date; provided, however, that if such index is no longer provided by Municipal Market Data, Inc. or its successor, the "SIFMA Swap Index" shall mean such other reasonably comparable index selected by the Remarketing Agent.

"*Tax-Exempt*" means, with respect to interest on any obligations of a state or local government, including the Bonds, that such interest is excludable from gross income of the owners of such obligations for federal income tax purposes, except for any interest on any such obligations for any period during which such obligations are owned by a person who is a "substantial user" of any facilities financed or refinanced with such obligations or a "related person" within the meaning of Section 103(b)(13) of the Internal Revenue Code of 1954, as amended, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Internal Revenue Code of 1986, as amended (the "Code").

Payment of Principal and Interest

The principal of and premium, if any, on the Bonds shall be payable to the Owners upon surrender thereof at the principal office of the Paying Agent. Except when the Bonds are held in book-entry form (see "THE DAILY INTEREST RATE BONDS—Book-Entry System"), during any Rate Period, interest shall be payable (a) by bank check mailed by first-class mail on the Interest Payment Date to the Owners as of the Record Date or (b) subject to certain conditions specified in the Indenture, in immediately available funds on the Interest Payment Date (by wire transfer or by deposit to the account of the Owner of any such Bond if such account is maintained with the Paying Agent).

Interest on each Bond shall be payable on each Interest Payment Date for each such Bond for the period commencing on the immediately preceding Interest Payment Date (or, if no interest has been paid thereon, commencing on the Issue Date) to, but not including, such Interest Payment Date.

Rate Periods

Initially, the Bonds shall bear interest at the Daily Interest Rate. The term of the Bonds shall be divided into consecutive Rate Periods, during which the Bonds shall bear interest at the Daily Interest

Rate, or, upon adjustment as described below under "THE DAILY INTEREST RATE BONDS—Adjustment of Daily Interest Rate Bonds," another interest rate mode as provided by the Indenture.

THIS OFFICIAL STATEMENT DOES NOT PROVIDE ANY INFORMATION REGARDING THE BONDS AFTER THE DATE, IF ANY, ON WHICH THE BONDS ADJUST TO BEAR INTEREST AT INTEREST RATES OTHER THAN A DAILY INTEREST RATE.

Daily Interest Rate

During the Daily Interest Rate Period, the Bonds shall bear interest at the Daily Interest Rate determined by the Remarketing Agent on each Business Day for such Business Day. The Daily Interest Rate shall be the rate determined by the Remarketing Agent (based on an 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) to be the lowest rate which would enable the Remarketing Agent to sell the Bonds on the effective date of such rate at a price (without regard to accrued interest) equal to 100% of the principal amount thereof. If the Remarketing Agent shall not have determined a Daily Interest Rate for any day by 9:30 a.m., New York, New York time, the Daily Interest Rate for such day shall be the rate that is equal to 100% of the most recent SIFMA Swap Index. The Remarketing Agent shall notify the Company, the Trustee, the Provider and the Paying Agent of each Daily Interest Rate on the date of the determination thereof by written notice communicated by electronic mail, by facsimile or by other means acceptable to the Company, the Trustee, the Provider and the Paying Agent.

If any Bonds constitute Pledged Bonds due to a failure in remarketing such Bonds on a mandatory tender date as described under "THE DAILY INTEREST RATE BONDS—Remarketing of Bonds," the Remarketing Agent shall be entitled to determine a new Daily Interest Rate with respect to such Bonds (under the conditions and subject to the limitations provided by the Indenture), effective on such date as the Remarketing Agent is able to remarket such Pledged Bonds in whole. Such new rate with respect to such Bonds shall be established by the Remarketing Agent in its sole judgment having due regard for prevailing financial market conditions at the lowest rate which will permit the Pledged Bonds to be sold at a price of par plus accrued interest to such delivery date. The determination of a new Daily Interest Rate with respect to such Bonds by the Remarketing Agent shall be conclusive and binding upon the Issuer, the Company, the Trustee, the Provider and the Owners of the Bonds.

Adjustment of Daily Interest Rate Bonds

Subject to certain conditions established by the Indenture and the Credit Facility Agreement, the Company may direct that all of the Bonds be adjusted from a Daily Interest Rate Period to a different Rate Period. In the event of a failed adjustment, the Bonds will continue to bear interest at Daily Interest Rates but the Bonds will be subject to mandatory tender for purchase as specified in the Company's notice of adjustment.

Optional Tender for Purchase

During any Daily Interest Rate Period, any Bond or portion thereof in an Authorized Denomination shall be purchased at the option of the Owner thereof on any Business Day at a purchase price equal to 100% of the principal amount thereof plus accrued interest, if any, from the Interest Payment Date next preceding the date of purchase to the date of purchase (unless the date of purchase shall be an Interest Payment Date, in which case the purchase price shall be equal to the principal amount thereof), upon (i) delivery to the Trustee at the Delivery Office of the Trustee and to the Remarketing Agent at the Principal Office of the Remarketing Agent, by no later than 10:00 a.m., New York, New York time, on such Business Day, of an irrevocable written notice (which may be by facsimile or other

writing) which states the principal amount and the certificate number (if the Bonds are not then held in book–entry form) of such Bond and the date on which the same shall be purchased, and (ii) subject to the next succeeding paragraph hereof, delivery of such Bond to the Trustee at the Delivery Office of the Trustee, accompanied by an instrument of transfer thereof in a form satisfactory to the Trustee, executed in blank by the Owner thereof with the signature of such Owner guaranteed by a member or participant in a "signature guarantee program" as provided in the form of assignment attached to such Bond, at or prior to 1:00 p.m., New York, New York time, on the purchase date. See the final paragraph under "THE DAILY INTEREST RATE BONDS—Mandatory Tender for Purchase," for additional provisions applicable to optional tenders of the Bonds for purchase.

So long as any Bond is held in book-entry form a Beneficial Owner (through its DTC Participant) shall give notice to the Trustee to elect to have its Bonds purchased, and shall effect delivery of such Bonds by causing such DTC Participant to transfer its interest in the Bonds equal to such Beneficial Owner's interest on the records to DTC to the Trustee's participant account with DTC. The requirement for physical delivery of the Bonds in connection with any purchase shall be deemed satisfied when the ownership rights in the Bonds are transferred by DTC Participants on the records of DTC to the Trustee's participant account.

Mandatory Tender for Purchase

Mandatory Tender Upon Adjustment of Rate Period, Change of Credit Facility or at the Direction of the Company. The Daily Interest Rate Bonds are subject to mandatory purchase upon 15 days' notice to the Bondholders at a purchase price equal to 100% of the principal amount thereof, plus accrued interest, if any, to the purchase date, without premium, on (a) the effective date of any adjustment from a Daily Interest Rate Period to a different Rate Period with respect to such Bonds, (b) on the effective date of a Change of Credit Facility, including a change of the Letter of Credit, provided that if such Change of Credit Facility consists of the termination of the then existing Credit Facility, the purchase date shall be the Business Day immediately preceding such termination, and (c) on any Business Day designated by the Company, with the consent of the Provider and the Remarketing Agent.

Mandatory Tender Upon Nonreinstatement of Credit Facility or at Direction of Provider. As long as a Credit Facility, including the Letter of Credit, is in effect, the Bonds are subject to mandatory purchase at a purchase price equal to 100% of the principal amount thereof, plus accrued interest, if any, to the purchase date, without premium, on the second Business Day after the date of receipt by the Trustee of a notice from the Provider stating that, (i) following a drawing on the Credit Facility on an Interest Payment Date for the payment of unpaid interest on the Bonds, the Credit Facility will not be reinstated in accordance with its terms or (ii) an event of default has occurred and is continuing under the Credit Facility Agreement and directing such mandatory purchase. The Trustee shall, as soon as practicable, but in no event later than one Business Day prior to the date the Bonds are subject to mandatory purchase as described in this paragraph, give written notice by electronic mail, by facsimile or by overnight mail service of a mandatory purchase of Bonds to the Remarketing Agent and to the Owners.

The Trustee shall by 3:00 p.m., New York, New York time, on the Business Day preceding the day that the Bonds are subject to mandatory purchase upon a Change of Credit Facility, draw on the then existing Credit Facility in an amount sufficient to pay the principal and interest which will be due on the purchase date and hold such amount uninvested and without any liability for interest until the purchase date when such amount shall be applied to pay the amounts due to the Owners of the Bonds on the purchase date.

The Trustee shall (i) immediately following receipt of notice from the Provider of non-reinstatement of a Credit Facility or (ii) by 3:00 p.m., New York, New York time, on the Business Day preceding the day that the Bonds are subject to mandatory purchase, draw on that Credit Facility in an amount sufficient to pay the principal and interest which will be due on the purchase date and hold such amount uninvested and without any liability for interest until the purchase date when such amount shall be applied to pay the amounts due to the Bondholders on the purchase date.

FOR SO LONG AS THE BONDS ARE HELD IN BOOK-ENTRY FORM, NOTICES OF MANDATORY PURCHASE OF BONDS SHALL BE GIVEN BY THE TRUSTEE TO DTC ONLY, AND NEITHER THE ISSUER, THE TRUSTEE, THE COMPANY, THE PROVIDER, NOR THE UNDERWRITER SHALL HAVE ANY RESPONSIBILITY FOR THE DELIVERY OF ANY SUCH NOTICES BY DTC TO ANY DIRECT PARTICIPANTS OF DTC, BY ANY DIRECT PARTICIPANTS TO ANY INDIRECT PARTICIPANTS OF DTC OR BY ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS TO BENEFICIAL OWNERS OF THE BONDS. FOR SO LONG AS THE BONDS ARE HELD IN BOOK-ENTRY FORM, THE REQUIREMENT FOR PHYSICAL DELIVERY OF THE BONDS IN CONNECTION WITH ANY PURCHASE PURSUANT TO THE PROVISIONS DESCRIBED ABOVE SHALL BE DEEMED SATISFIED WHEN THE OWNERSHIP RIGHTS IN THE BONDS ARE TRANSFERRED BY DTC ON THE RECORDS OF DTC. SEE "THE DAILY INTEREST RATE BONDS—BOOK-ENTRY SYSTEM."

If moneys sufficient to pay the purchase price of Bonds to be purchased as described under "THE DAILY INTEREST RATE BONDS—Optional Tender for Purchase" and "—Mandatory Tender for Purchase" shall be held by the Trustee on the date such Bonds are to be purchased, such Bonds shall be deemed to have been purchased and shall be purchased according to the terms of the Indenture for all purposes of the Indenture, irrespective of whether or not such Bonds shall have been delivered to the Trustee, and the former Owner of such Bonds shall have no claim under the Indenture or otherwise, for any amount due with respect to such Bonds other than the purchase price thereof.

Purchase of Bonds

On the date on which Bonds are to be purchased as specified above under "THE DAILY INTEREST RATE BONDS—Optional Tender for Purchase" and "—Mandatory Tender for Purchase," the Trustee shall pay the purchase price of such Bonds but solely from the following sources in the order of priority indicated, and the Trustee has no obligation to use funds from any other source:

(a) moneys which constitute Available Moneys are furnished by the Company to the Trustee for the purchase of Bonds;

(b) proceeds of the remarketing and sale of such Bonds (other than Bonds sold to the Company, any subsidiary or guarantor of the Company, or the Issuer or any "insider" (as defined in the United States Bankruptcy Code)) and which proceeds are on deposit with the Trustee prior to 12:00 noon New York, New York time, on the purchase date;

(c) moneys (which constitute Available Moneys or moneys provided pursuant to the Credit Facility for the payment of the purchase price of the Bonds) furnished to the Trustee as described herein under "THE INDENTURE—Defeasance," such moneys to be applied only to the purchase of Bonds which are deemed to be paid;

(d) moneys furnished to the Trustee representing moneys provided pursuant to a Credit Facility for the payment of the purchase price of the Bonds; and

(e) any other moneys furnished by or on behalf of the Company to the Trustee for purchase of the Bonds;

provided, however, that funds for the payment of the purchase price of defeased Bonds shall be derived only from the sources described in clause (c) above); provided, further, that if the Credit Facility then in effect consists of a direct pay letter of credit, the Trustee shall pay the purchase price of the Bonds, first, from moneys described in clause (b) above, second, and only to the extent such moneys were provided pursuant to the Credit Facility, from moneys described in clause (c) above, third, from moneys described in clause (d) above, and last, from the remaining sources and in the order of priority of such remaining sources described above.

There is no assurance that the Remarketing Agent will be able to remarket Bonds tendered for purchase.

Remarketing of Bonds

The Remarketing Agent shall offer for sale and use its best efforts to remarket any Bond subject to purchase pursuant to the optional and mandatory purchase provisions described above, any such remarketing to be made at a price equal to 100% of the principal amount thereof plus accrued interest, if any, to the purchase date. Bonds remarketed by the Remarketing Agent shall be delivered to the purchasers thereof (or to DTC in the case of Bonds held in book-entry form) upon payment of the purchase price therefor. However, there is no assurance that the Remarketing Agent will be able to remarket Bonds tendered for purchase, and the only sources of funds to purchase Bonds not remarketed are as described above under "THE DAILY INTEREST RATE BONDS—Purchase of Bonds". No Beneficial Owner of any Bond shall have any rights or claims against the Issuer, the Trustee or the Remarketing Agent as a result of the Remarketing Agent not purchasing, or finding a purchaser for, the Bonds. The Company may, with the consent of the Provider, direct the Remarketing Agent from time to time to cease and to resume sales efforts with respect to some or all of the Bonds.

Any Bond purchased as described herein under "THE DAILY INTEREST RATE BONDS—Optional Tender for Purchase" or "—Mandatory Tender for Purchase" from the date notice is given of redemption through the date of such redemption shall not be remarketed unless the person buying such Bonds has been given notice in writing by the Trustee that such Bonds are to be redeemed. Furthermore, in addition to the requirements of the preceding sentence, if the Bonds are subject to redemption upon a Determination of Taxability (as hereinafter described), the person buying such Bonds shall also be given notice in writing by the Trustee that a Determination of Taxability has occurred and that such Bonds are subject to mandatory redemption.

There shall be no sales of Bonds pursuant to a remarketing if (a) there shall have occurred and not have been cured or waived an Event of Default described in clauses (a), (b) or (c) of "THE INDENTURE—Defaults" of which an authorized officer in the Principal Office of the Remarketing Agent and an authorized officer of the corporate trust department of the Trustee have actual knowledge or (b) the Bonds have been declared to be immediately due and payable as described under "THE INDENTURE—Remedies" and such declaration has not been rescinded.

Delivery of Bonds; Delivery of Proceeds of Remarketing Sale

Delivery of Bonds. Bonds purchased as described herein under "THE DAILY INTEREST RATE BONDS—Optional Tender for Purchase" or "—Mandatory Tender for Purchase" shall be delivered as follows:

(i) *Delivery of Remarketed Bonds.* Subject to the Indenture's provisions for book-entry only Bonds, Bonds remarketed by the Remarketing Agent shall be delivered to the purchasers thereof upon payment of the purchase price therefor.

(ii) *Delivery of Bonds Purchased by the Company.* Bonds delivered to the Trustee and purchased with moneys furnished by the Company shall at the direction of the Company, be (A) held by the Trustee for the account of the Company, (B) delivered to the Trustee for cancellation or (C) delivered to the Company.

(iii) *Delivery of Pledged Bonds.* Bonds delivered to the Trustee and purchased with moneys provided pursuant to the Letter of Credit shall constitute Pledged Bonds, and shall be held by the Trustee for the benefit of the Provider in a separate and segregated account (the "Custody Account"). Notwithstanding anything in the Indenture to the contrary, if the Trustee holds Pledged Bonds in the Custody Account as agent of the Provider, the Trustee shall not release to the purchaser thereof or to the Remarketing Agent Pledged Bonds that the Remarketing Agent has remarketed in accordance with the Indenture unless the Trustee shall have received written notice (which may be given by electronic mail or facsimile) from the Provider that it has been paid in full for the Pledged Bonds and that the Credit Facility has been reinstated.

(iv) *Delivery of Defeased Bonds.* Bonds purchased by the Remarketing Agent with defeasance moneys shall not be remarketed and shall be delivered to the Trustee for cancellation.

Proceeds of Sale Held for Seller of Bonds. Moneys deposited with the Trustee for the purchase of Bonds shall be held uninvested in trust in one or more separate accounts, which shall be Eligible Accounts, and shall be paid to the former Owners of such Bonds upon presentation thereof. The Trustee shall notify the Company in writing within five days after the date of purchase if the Bonds have not been delivered, and if so directed by the Company, shall give notice by Mail to each Owner whose Bonds are deemed to have been purchased stating that interest on such Bonds ceased to accrue on the date of purchase and that moneys representing the purchase price of such Bonds are available against delivery thereof at the Delivery Office of the Trustee. Bonds deemed purchased shall cease to accrue interest on the date of purchase. The Trustee shall hold moneys deposited for the purchase of Bonds without liability for interest thereon, for the benefit of the former Owner of the Bond on such date of purchase, who shall thereafter be restricted exclusively to such moneys for any claim of whatever nature on its part under this Indenture or on, or with respect to, such Bond. Any moneys so deposited with and held by the Trustee not so applied to the payment of Bonds within six months after such date of purchase shall be paid by the Trustee to the Company upon the written direction of the Authorized Company Representative, and thereafter the Trustee shall have no further liability with respect to such moneys and the former Owners shall be entitled to look only to the Company for payment, and then only to the extent of the amount so repaid to the Company, and the Company shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

Optional Redemption of Daily Interest Rate Bonds

While the Bonds bear interest at a Daily Interest Rate, the Bonds shall be subject to redemption upon prepayment of the Loan Payments (as defined by the Loan Agreement), at the option of the Company, with the prior written consent of the Provider, in whole, or in part by lot, prior to their maturity, on any Business Day at a redemption price equal to 100% of the principal amount thereof, plus accrued interest, if any, to the redemption date.

Extraordinary Optional Redemption of Bonds

At any time, the Bonds shall be subject to redemption at the option of the Company in whole, or in part by lot, at a redemption price equal to 100% of the principal amount plus accrued interest to the redemption date, upon receipt by the Trustee of a written notice from the Company stating that any of the following events has occurred and that the Company therefore intends to exercise its option to prepay the payments due under the Loan Agreement in whole or in part and thereby effect the redemption of the Bonds in whole or in part to the extent of such prepayments:

(a) The Company shall have determined or concurred in a determination that the continued operation of the Plant is impracticable, uneconomical or undesirable for any reason;

(b) All or substantially all of the Plant shall have been condemned or taken by eminent domain;

(c) The operation of the Plant shall have been enjoined or shall have otherwise been prohibited by, or shall conflict with, any order, decree, rule or regulation of any court or of any federal, state or local regulatory body, administrative agency or other governmental body;

(d) Unreasonable burdens or excessive liabilities shall have been imposed upon the Company in respect of all or a part of the Facilities or the Plant including, without limitation, federal, state or other ad valorem, property, income or other taxes not being imposed on the date of the Loan Agreement, as well as any statute or regulation enacted or promulgated after the date of the Loan Agreement that prevents the Company from deducting interest in respect of the Loan Agreement for federal income tax purposes; or

(e) All or substantially all of the Project shall be transferred or sold to any entity other than an affiliate of the Company.

Special Mandatory Redemption of Bonds

The Bonds are subject to mandatory redemption in whole on any date at 100% of the principal amount thereof plus accrued interest, if any, to the redemption date within 180 days following a "Determination of Taxability" as described in the next sentence, provided that if, in the opinion of Bond Counsel delivered to the Trustee, the redemption of a specified portion of the Bonds outstanding would have the result that interest payable on the Bonds remaining outstanding after such redemption would remain Tax-Exempt, then the Bonds will be redeemed in part by lot (in Authorized Denominations) in such amount as Bond Counsel in such opinion shall have determined is necessary to accomplish that result. A "Determination of Taxability" shall be deemed to have occurred if, as a result of the failure of the Company to observe any covenant, agreement or representation in the Loan Agreement, which failure results in a final decree or judgment of any federal court or a final action of the Internal Revenue Service determining that interest paid or payable on any Bond is or was includible in the gross income of an Owner of the Bonds for federal income tax purposes under the Code (other than an Owner who is a

"substantial user" or "related person" within the meaning of Section 103(b)(13) of the Internal Revenue Code of 1954, as amended). However, no such decree or action will be considered final for this purpose unless the Company has been given written notice and, if it so desires and is legally allowed, has been afforded the opportunity to contest the same, either directly or in the name of any Owner of a Bond, and until conclusion of any appellate review, if sought. If the Trustee receives written notice from any Owner stating (i) that the Owner has been notified in writing by the Internal Revenue Service that it proposes to include the interest on any Bond in the gross income of such Owner for the reasons described therein or any other proceeding has been instituted against such Owner which may lead to a final decree or action as described above, and (ii) that such Owner will afford the Company the opportunity to contest the same, either directly or in the name of the Owner, until a conclusion of any appellate review, if sought, then the Trustee shall promptly give notice thereof to the Company, the Issuer, the Provider and the Owner of each Bond then outstanding. If a final decree or action as described above thereafter occurs and the Trustee has received written notice thereof at least 45 days prior to the redemption date, the Trustee shall make the required demand for prepayment of the amounts payable under the Loan Agreement and give notice of the redemption of the Bonds at the earliest practical date, but not later than the date specified in the Loan Agreement, and in the manner provided by the Indenture.

Procedure for and Notice of Redemption

The Daily Interest Rate Bonds may be redeemed only in the aggregate principal amount of $100,000 and integral multiples of $5,000 in excess thereof. If less than all of the Bonds are called for redemption, the particular Bonds or portions thereof to be redeemed shall be selected by the Trustee, by lot. In selecting Bonds for redemption, the Trustee shall treat each Bond as representing that number of Bonds which is obtained by dividing the principal amount of each Bond by the minimum Authorized Denomination. Pledged Bonds shall be redeemed prior to any other Bonds. Any Bonds selected for redemption which are deemed to be paid in accordance with the provisions of the Indenture will cease to bear interest on the date fixed for redemption. Subject to the procedures described below under "THE DAILY INTEREST RATE BONDS—Book-Entry System" for Bonds held in book-entry form, upon presentation and surrender of such Bonds at the place or places of payment, such Bonds shall be paid. Notice of redemption shall be given by first-class mail as provided in the Indenture, not less than 15 days and not more than 60 days prior to the redemption date, provided that the failure to duly give notice by mailing to any Owner shall not affect the validity of any proceedings for the redemption of any Bonds in respect of which no such failure has occurred. While the Bonds are held by DTC as Owner of the Bonds, notice of redemption shall be given to DTC in accordance with its requirements instead of being given by first-class mail. Such notice will also be sent to the Remarketing Agent.

With respect to notice of any optional redemption of the Bonds as described above, unless, upon the giving of such notice, such Bonds shall be deemed to have been paid within the meaning of the Indenture, such notice may state that such redemption is conditional upon the receipt by the Trustee, on or prior to the date fixed for such redemption, of Available Moneys sufficient to pay the principal of, premium, if any, and interest on such Bonds to be redeemed. If such Available Moneys are (i) not so received, (ii) no longer sufficient to pay the principal of, and premium, if any, and interest on, such Bonds or (iii) no longer considered Available Moneys, in each case, on the redemption date, the redemption shall not be made and the Trustee shall give notice, in the manner in which the notice of redemption was given, that such redemption will not take place.

Book-Entry System

The following information in this section concerning DTC and DTC's book-entry system has been obtained from sources (including DTC) that the Company believes to be reliable, but none of the

Company, the Issuer, the Underwriter nor the Bank takes any responsibility for the accuracy of such information.

Initially, the Bonds will be available in book-entry form only. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds purchased.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as one fully-registered bond 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.

DTC 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 "Exchange Act"). DTC holds and provides asset servicing of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments 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. 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 is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by users of its regulated subsidiaries. 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 ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission (the "Commission"). More information about DTC can be found at www.dtcc.com and 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 ("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 purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant 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 the 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 nominee do not effect any change 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 the 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 the 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 Trustee 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.

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 MMI 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments, redemption proceeds and distributions 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 Issuer or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, the Company or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of redemption proceeds, distributions, and interest payments 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 will be the responsibility of DTC, and disbursement of such payments to Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer and the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered as described in the Indenture.

The Company may at any time elect (i) to provide for the replacement of DTC as the depository for the Bonds with another qualified securities depository, or (ii) in accordance with the procedures of the depository to discontinue the maintenance of the Bonds under a Book-Entry System. In such event, the Trustee will give 30 days' prior notice of such election to DTC (or such fewer number of days as is acceptable to DTC).

Upon the discontinuance of the maintenance of the Bonds under a Book-Entry System, the Issuer will cause Bond certificates to be issued directly to the Beneficial Owners of Bonds or their designees. In such event, the Trustee will make provisions to notify Participants and the Beneficial Owners of the Bonds by mailing an appropriate notice to DTC that Bonds will be directly issued to the Beneficial

Owners of Bonds as of a date set forth in such notice, which will be a date at least 10 days after the date of mailing of such notice (or such fewer number of days as is acceptable to DTC).

The foregoing description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, redemption proceeds, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in such Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters, and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

THE ISSUER, THE REGISTRAR, THE TRUSTEE, THE PROVIDER, THE COMPANY AND THE UNDERWRITER, WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE REGISTRAR AS BEING A REGISTERED OWNER WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL, PURCHASE PRICE OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED TO BE GIVEN TO REGISTERED OWNERS UNDER THE TERMS OF THE INDENTURE; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER.

Each Beneficial Owner for whom a Direct Participant or Indirect Participant acquires an interest in the Bonds, as nominee, may desire to make arrangements with such Direct Participant or Indirect Participant to receive a credit balance in the records of such Direct Participant or Indirect Participant, to have all notices of redemption, elections to tender Bonds or other communications to or by DTC which may affect such Beneficial Owner forwarded in writing by such Direct Participant or Indirect Participant, and to have notification made of all debt service payments.

Beneficial Owners may be charged a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation to any transfer or exchange of their interests in the Bonds.

The Trustee and the Issuer, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption or of proposed document amendments requiring consent of registered owners and any other notices required by the document to be sent to registered owners only to DTC (or any successor Securities Depository) or its nominee. Any failure of DTC to advise any Direct Participant, or of any Direct Participant or Indirect Participant to notify the Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Bonds called for redemption, the document amendment or any other action premised on that notice.

THE ISSUER, THE COMPANY, THE TRUSTEE, THE PROVIDER AND THE UNDERWRITER CANNOT AND DO NOT GIVE ANY ASSURANCES THAT THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (i) PAYMENTS OF PRINCIPAL OF, PURCHASE PRICE OF AND INTEREST ON THE BONDS, (ii) BONDS REPRESENTING AN OWNERSHIP INTEREST OR

OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN THE BONDS OR (iii) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNERS OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION, AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH DIRECT PARTICIPANTS ARE ON FILE WITH DTC.

According to DTC, the foregoing information with respect to DTC has been provided by DTC for information purposes only and is not intended to serve as a representation, warranty or contract modification of any kind. The information under this caption concerning DTC and DTC's book-entry system has been obtained from DTC. None of the Issuer, the Company, the Bank or the Underwriter takes any responsibility for its accuracy.

THE LETTER OF CREDIT

The following is a summary of certain provisions of the Letter of Credit and of the Reimbursement Agreement. The Letter of Credit and the Reimbursement Agreement contain various provisions, covenants and conditions, certain of which are summarized below. Various words or terms used in the following summary are defined elsewhere in this Official Statement, the Letter of Credit or the Reimbursement Agreement. The Letter of Credit provides credit and liquidity support for the Bonds. This summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Letter of Credit or the Reimbursement Agreement, to which reference is made hereby. Also included under this caption is certain information with respect to the Bank No representation is made by the Issuer, the Company or the Underwriter as to the accuracy, completeness or adequacy of the information respecting the Bank or the Letter of Credit contained herein or as to the absence of material adverse changes in such information or in the condition of the Bank subsequent to the date hereof.

The Letter of Credit. The Bank will deliver the Letter of Credit to the Trustee concurrently with the issuance and delivery of the Bonds. The Letter of Credit constitutes the irrevocable obligation of the Bank to pay to the Trustee upon timely request up to $17,195,617 (the "Stated Amount", consisting of $17,000,000 which may be drawn for the purpose of paying the principal or the principal portion of the purchase price of the Bonds (the "Principal Stated Amount") and $195,617 (an amount equal to 35 days' interest computed at the rate of 12% per annum) for the purpose of paying interest on or the interest portion of the purchase price of the Bonds (the "Interest Stated Amount"). The Letter of Credit will terminate on December 30, 2009 (the "Stated Expiration Date") unless extended or earlier terminated. The Letter of Credit is also subject to reduction, as hereinafter described.

The Letter of Credit provides that the Bank will pay to the Trustee up to the Stated Amount (subject to the Principal Stated Amount and Interest Stated Amount limitations referred to above) upon presentation by the Trustee to the Bank of payment documents indicating whether such draw is for the purpose of paying principal, interest or the purchase price of the Bonds. Under the Indenture, the Trustee is directed to draw under the Letter of Credit to pay, when due, the principal of and interest on the Bonds and to make any necessary payments of the purchase price of the Bonds tendered for payment, by submitting a draw request to the Bank on or before specified times on the required payment date.

The Stated Amount available under the Letter of Credit will be reduced automatically by the amount of any drawing thereunder; provided, however, that the amount of any interest drawing thereunder, less the amount of the reduction in the Stated Amount attributable to interest as specified in a certificate related to a redemption of the Bonds for reduction of the Principal Stated Amount, shall be

automatically reinstated on the same calendar day of any interest drawing if the Trustee shall not have received notice from the Bank in the form set forth in the Letter of Credit prior to such time that the Bank has not been reimbursed for such interest drawing or that any Event of Default has occurred under the Reimbursement Agreement and, as a result thereof, the amount of such interest drawing shall not be reinstated and the Bank shall direct the Trustee to cause either, in the sole discretion of the Bank, a mandatory tender of the Bonds pursuant to the Indenture or an acceleration of the Bonds pursuant to the Indenture. After payment by the Bank of a purchase price drawing, the amount available to be drawn under the Letter of Credit will automatically reduced by the amount specified in the purchase price drawing certificate. In addition, prior to the Adjustment Date (as defined below), in the event of the remarketing of the Bonds (or portions thereof) previously purchased with the proceeds of a purchase price drawing, the amount available to be drawn under the Letter of Credit will be automatically reinstated concurrently upon the Trustee providing a certificate in the form set forth in the Letter of Credit to the Bank and when and to the extent, but only when and to the extent, that the Bank is reimbursed for any amount drawn under the Letter of Credit pursuant to the purchase price drawing.

The Letter of Credit will terminate upon the earliest to occur: (i) the Stated Expiration Date, or if such date is extended, the date so extended, (ii) the date which is two Business Days following the Adjustment Date with respect to all of the Bonds to a new Rate Period other than a Daily Rate Period or a Weekly Rate Period (for purposes of this section, the "Adjustment Date"), (iii) the date on which the Letter of Credit is surrendered by the Trustee to the Bank and is accompanied by the form set forth in the Letter of Credit, (iv) the date on which the Bank receives from the Trustee a notice of termination in the form set forth in the Letter of Credit, or (v) the date which is 30 days following receipt by the Trustee of a written notice from the Bank in the form set forth in the Letter of Credit specifying the occurrence of an Event of Default under the Reimbursement Agreement, and directing the Trustee to cause a mandatory tender of the Bonds or an acceleration of the Bonds (the earliest of the foregoing dates referred to as the "Termination Date").

Prior to its expiration, the Letter of Credit may be extended as provided therein or replaced with a Credit Facility in accordance with the provisions of the Indenture. An expiration or termination of the Letter of Credit, a provision of the Credit Facility for the Letter of Credit, or an Event of Default under the Reimbursement Agreement, will result in a mandatory tender of the Bonds pursuant to the Indenture. See the caption, "THE BONDS—Mandatory Tender for Purchase" in this Official Statement.

The Reimbursement Agreement. The Letter of Credit will be issued pursuant to the terms of the Reimbursement Agreement. Under the Reimbursement Agreement, the Company is obligated to repay, or cause to be repaid, to the Bank an amount equal to the amounts drawn under the Letter of Credit, together with interest on such amounts, payable on demand, plus certain fees and expenses in respect of the Letter of Credit. The Reimbursement Agreement contains certain representations, warranties, covenants and agreements relating to the Company. These covenants and agreements are for the benefit of the Bank only.

A failure by the Company to repay the Bank for draws under the Letter of Credit, a breach by the Company or any Significant Subsidiary of any representation, warranty, covenant or agreement in, or a default under, the Reimbursement Agreement, the Loan Agreement, the Indenture, the Company Mortgage , the Credit Agreement, the Bonds, the First Mortgage Bond, the First Mortgage Supplemental Indenture or certain other documents related to the transactions contemplated therein, a failure to pay or other default with respect to certain other Company indebtedness or indebtedness of a Significant Subsidiary of the Company, the invalidity of the Bonds, the filing of an involuntary petition against the Company in bankruptcy, seeking reorganization, arrangement or readjustment of its debts or seeking any relief under the United States Bankruptcy Code, or the Loan Agreement, the Indenture or the Company

Mortgage ceases to be in full force and effect, may result in an Event of Default under the Reimbursement Agreement. At any time thereafter, the Bank may do any or all of the following:

(a) Declare all unreimbursed drawings in respect of the Letter of Credit and any and all other indebtedness or obligations of any and every kind owing by the Company to the Bank to be immediately due and payable, without presentment, demand, protest or other notice of any kind;

(b) Enforce any and all rights and interests created an existing under the Reimbursement Agreement or under any of the other related documents identified by the Reimbursement Agreement and all rights of set-off; or

(c) Direct the Trustee, at the option of the Bank, either to (i) accelerate the principal and interest due on the Bonds and to draw on the Letter of Credit in accordance with the Indenture; or (ii) direct a mandatory purchase of the Bonds, as described under "THE DAILY INTEREST RATE BONDS—Mandatory Tender for Purchase—*Mandatory Tender Upon Nonreinstatement of Credit Facility or at Direction of Provider.*".

Notwithstanding the foregoing, if the event of default is as a consequence of certain events of bankruptcy, dissolution, liquidation or reorganization of the Company, then all obligations owing to the Bank under the Reimbursement Agreement shall immediately become due and payable without the giving of any notice or other action by the Bank.

The Bank

Bank of America, N.A. (the "Bank") is a national banking association organized under the laws of the United States, with its principal executive offices located in Charlotte, North Carolina. The Bank is a wholly-owned indirect subsidiary of Bank of America Corporation (the "Corporation") and is engaged in a general consumer banking, commercial banking and trust business, offering a wide range of commercial, corporate, international, financial market, retail and fiduciary banking services. As of September 30, 2008, the Bank had consolidated assets of $1,359 billion, consolidated deposits of $846 billion and stockholder's equity of $114 billion based on regulatory accounting principles.

The Corporation is a bank holding company and a financial holding company, with its principal executive offices located in Charlotte, North Carolina. Additional information regarding the Corporation is set forth in its Annual Report on Form 10-K for the fiscal year ended December 31, 2007, together with its subsequent periodic and current reports filed with the Securities and Exchange Commission (the "SEC").

Filings can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549, United States, at prescribed rates. In addition, the SEC maintains a website at http://www.sec.gov, which contains reports, proxy statements and other information regarding registrants that file such information electronically with the SEC.

The information concerning the Corporation and the Bank is furnished solely to provide limited introductory information and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the documents and financial statements referenced herein.

The Letter of Credit has been issued by the Bank. Moody's Investors Service, Inc. ("Moody's") currently rates the Bank's long-term debt as "Aaa" and short-term debt as "P-1." The outlook is stable.

Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. ("S&P") currently rates the Bank's long-term debt as "AA-" and its short-term debt as "A-1+." The outlook is negative. Fitch Ratings, Inc. ("Fitch") currently rates long-term debt of the Bank as "AA-" and short-term debt as "F1+." The outlook is stable. Further information with respect to such ratings may be obtained from Moody's, S&P and Fitch, respectively. No assurances can be given that the current ratings of the Bank's instruments will be maintained.

The Bank will provide copies of the most recent Bank of America Corporation Annual Report on Form 10-K, any subsequent reports on Form 10-Q, and any required reports on Form 8-K (in each case as filed with the SEC pursuant to the Exchange Act), and the publicly available portions of the most recent quarterly Call Report of the Bank delivered to the Comptroller of the Currency, without charge, to each person to whom this document is delivered, on the written request of such person. Written requests should be directed to:

Bank of America Corporate Communications
100 North Tryon Street, 18th Floor
Charlotte, North Carolina 28255
Attention: Corporate Communication

PAYMENTS OF PRINCIPAL AND INTEREST ON THE BONDS WILL BE MADE FROM DRAWINGS UNDER THE LETTER OF CREDIT. PAYMENTS OF THE PURCHASE PRICE OF THE BONDS WILL BE MADE FROM DRAWINGS UNDER THE LETTER OF CREDIT IF REMARKETING PROCEEDS ARE NOT AVAILABLE. ALTHOUGH THE LETTER OF CREDIT IS A BINDING OBLIGATION OF THE BANK, THE BONDS ARE NOT DEPOSITS OR OBLIGATIONS OF THE CORPORATION OR ANY OF ITS AFFILIATED BANKS AND ARE NOT GUARANTEED BY ANY OF THESE ENTITIES. THE BONDS ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY AND ARE SUBJECT TO CERTAIN INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED.

The delivery hereof shall not create any implication that there has been no change in the affairs of the Corporation or the Bank since the date hereof, or that the information contained or referred to under this caption is correct as of any time subsequent to its date.

Except for the contents under this caption, the Bank assumes no responsibility for the nature, contents, accuracy or completeness of the information set forth in this Official Statement.

The foregoing information regarding the Bank has been obtained from Bank of America, N.A. None of the Issuer, the Company or the Underwriter makes any representations as to the accuracy of completeness of such information.

BONDHOLDERS' RISKS

Investing in the Bonds involves certain risks. Before making a decision to invest in the Bonds, prospective investors should carefully consider the risk factors described below and the risk factors set forth in the Company's Annual Report on Form 10-K for the year ended December 31, 2007, as well as other information included in this Official Statement.

General

The Bonds are limited obligations of the Issuer, payable solely from the revenues provided and pledged therefor in accordance with the Indenture, and from amounts drawn under the Letter of Credit. The Bonds do not constitute a debt, liability of general obligation of the Issuer within any constitutional or statutory provision and do not give rise to a pecuniary liability of the Issuer. The Bonds are equally and ratably payable solely from moneys received by the Trustee from payments made by the Company pursuant to the Loan Agreement, from drawings under the Letter of Credit and from amounts held by the Trustee in the funds and accounts created by the Indenture.

For information concerning the financial condition of the Company, see APPENDIX A to this Official Statement.

Letter of Credit and Reimbursement Agreement

Concurrently with, and as a condition to, the issuance of the Bonds, the Company will cause the Letter of Credit to be issued by the Bank and delivered to the Trustee. Under the initial Letter of Credit, the Trustee will be entitled to draw up to an amount sufficient to pay (i) the principal of the Bonds or the portion of the purchase price corresponding to the principal of the Bonds and (ii) up to 35 days' accrued interest on the Bonds at a rate of 12% per annum (computed on the basis of a 365-day year). The Letter of Credit has a stated expiration date of December 30, 2009. The Letter of Credit may be extended pursuant to its terms. The Letter of Credit may be extended or replaced by a letter of credit of another commercial bank or branch or agency of a foreign commercial bank as described under the caption "THE LETTER OF CREDIT—The Letter of Credit."

If the Letter of Credit is not extended, the Bonds will be subject to mandatory tender for purchase at the principal amount, without premium, plus accrued interest to the purchase date. See "THE BONDS—Mandatory Tender for Purchase." There can be no assurance that the Company will be able to obtain an extension of the Letter of Credit or any future Credit Facility. The Bank is under no obligation to extend the Letter of Credit beyond the scheduled expiration thereof. See "THE LETTER OF CREDIT." From and after the receipt of a Credit Facility in substitution for the Letter of Credit, the Bonds will be secured by the such Credit Facility.

The rating on the Bonds is dependent on the ratings of the Bank. The Bank's current ratings are predicated upon among other things, a level of reserves required by banking institutions. The level of reserves maintained by the Bank could change over time and this could result in a downgrading of the short-term rating on the Bonds. The Bank is not contractually bound to maintain its present level of reserves in the future nor is it contractually bound to maintain its current credit rating. No provision has been made for replacement of or substitution for the Letter of Credit in the event of any deterioration in the financial condition of the Bank.

The Bank is subject to regulation and supervision by the Federal Deposit Insurance Corporation, the Federal Reserve Board and other regulatory bodies. New regulations could impose restrictions upon the Bank that would restrict its ability to respond to competitive pressures. Various legislative or regulatory changes would dramatically impact the banking industry as a whole and the Bank specifically. The banking industry is highly competitive in many of the markets in which the Bank operates. Such competition directly impacts the financial performance of the Bank. Any significant increase in such competition could adversely impact the Bank.

Bankruptcy or Insolvency of the Bank

The obligations of the Bank under the Letter of Credit are a general obligation of the Bank and rank equally in priority of payment and in all other respects with all other unsecured obligations of the Bank. In the event of a bankruptcy or insolvency or if for any other reason the Bank fails or is unable to honor a draw on the Letter of Credit, each Owner would have to depend entirely on the ability of the Company to pay the principal of, purchase price and interest on the Bonds pursuant to its obligations under the Loan Agreement unless a replacement Credit Facility is obtained by the Company.

Mandatory Tender or Acceleration upon Default under Reimbursement Agreement

The occurrence of an event of default under the Reimbursement Agreement may cause a mandatory tender or an acceleration of the Bonds. In such event, an Owner whose Bonds are required to be tendered or paid may not have the opportunity to hold such Bonds for a time period consistent with such an Owner's original investment intentions.

Certain Considerations Affecting Sales of Daily Interest Rate 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 tendered pursuant to the optional or mandatory tender provisions of the Indenture by the Owners thereof (subject, in each case, to the terms of the Remarketing Agreement), all as further described in this Official Statement. The Remarketing Agent is appointed and is paid by the Company for its services. As a result, the interests of the Remarketing Agent may differ from those of existing Owners and potential purchasers of the 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. The Remarketing Agent is permitted, but not obligated, to purchase tendered Bonds for its own account and, in its sole discretion, routinely acquires such tendered Bonds in order to achieve a successful remarketing of the Bonds (i.e., because there otherwise are not enough buyers to purchase the Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase Bonds, and 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 of greater demand for the Bonds than would otherwise be the case without the participation of the Remarketing Agent. 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 Including an Interest Rate Determination Date. Pursuant to the Remarketing Agreement, the Remarketing Agent is required to use its best efforts to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Bonds bearing interest at the applicable rate at par plus accrued interest, if any, on and as of the applicable interest rate determination date. 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 an interest rate determination date, 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 that 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 day, including the day that the rate on the Bonds is 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. Holders that wish to tender their Bonds must tender them to the Trustee with appropriate notice as described in the Indenture. 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 as described in the Indenture.

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.

THE LOAN AGREEMENT

The following is a summary of certain provisions of the Loan Agreement. It is not a comprehensive recitation of each and every provision thereof, and investors seeking such a recitation are referred to the definitive Loan Agreement, which is available from the Underwriter during the offering period, and from the Trustee thereafter.

Issuance of the Bonds

The Issuer is issuing the Bonds for the purpose of loaning the proceeds thereof to the Company to refund the outstanding principal amount of the Prior Bonds.

Loan Payments

As and for repayment of the loan made to the Company by the Issuer, the Company shall pay to the Trustee, for the account of the Issuer, an amount equal to the aggregate principal amount of, and the premium, if any, and interest on the Bonds when due on the dates, in the amounts and in the manner provided in the Indenture for the payment of the principal of, premium, if any, and interest on the Bonds, whether at maturity, upon redemption, acceleration or otherwise (the "Loan Payments"); provided, however, that the obligation of the Company to make any such Loan Payment will be reduced by the amount of any moneys held by the Trustee under the Indenture and available for such payment; and provided, further, that the obligation of the Company to make any payment under the Loan Agreement shall be deemed to be satisfied and discharged to the extent of the corresponding payment made by the Provider to the Trustee under the Credit Facility (unless the Credit Facility then in effect shall be an insurance policy, in which case such obligation of the Company shall not be deemed to be satisfied and discharged).

In the event the Company fails to make any Loan Payments to the Trustee under the Loan Agreement with respect to any Bond, the payment so in default will continue as an obligation of the Company until the amount in default shall have been fully paid, and the Company will pay interest on any

overdue amount with respect to principal of such Bond at the interest rate then borne by such Bond until paid.

The Loan Payments to be made by the Company pursuant to the Loan Agreement will be pledged under the Indenture by the Issuer to the Trustee, and the Company is to make all Loan Payment thereunder and thereon directly to the Trustee.

Payment of Purchase Price

The Company will pay or cause to be paid for its account to the Trustee amounts equal to the amounts to be paid by the Trustee pursuant to the Indenture for the purchase of outstanding Bonds thereunder (see "THE DAILY INTEREST RATE BONDS—Optional Tender for Purchase" and "—Mandatory Tender for Purchase"), such amounts to be paid to the Trustee as the purchase price for the Bonds tendered for purchase pursuant to the Indenture on the dates such payments are to be made; provided, however, that the obligation of the Company to make any such payment under the Loan Agreement shall be reduced by the amount of any moneys held by the Trustee under the Indenture and available for such payment.

From the date of delivery of a Credit Facility (including the Letter of Credit) to and including the Bond Payment Date next preceding a Change of Credit Facility, the Company shall provide for the payment of the amounts to be paid by the Trustee upon an optional or mandatory tender for purchase by the delivery of such Credit Facility to the Trustee. Under the Loan Agreement, the Company irrevocably authorizes and directs the Trustee to draw moneys under the Credit Facility (initially, the Letter of Credit) in accordance with the provisions of the Indenture and such Credit Facility to obtain the moneys necessary to pay the purchase price for Bonds upon an optional or mandatory tender for purchase.

Change of Credit Facility

The Company may provide for a Change of Credit Facility at any time that the Bonds are subject to optional redemption as described under "THE DAILY INTEREST RATE BONDS—Optional Redemption of Daily Interest Rate Bonds," provided that the Company delivers to the Trustee and the Remarketing Agent not less than 30 days before the effective date of the Change of Credit Facility:

(a) a notice which (i) states the effective date of the Change of Credit Facility, (ii) describes the terms of the Change of Credit Facility, (iii) directs the Trustee to give notice that the Bonds are subject to mandatory purchase, in whole, on or before the effective date of the Change of Credit Facility, and (iv) directs the Trustee to take any other action as shall be necessary for the Trustee to take to effect the Change of the Credit Facility; and

(b) on or before the effective date of the Change of Credit Facility, the Company shall furnish to the Trustee a Favorable Opinion of Bond Counsel with respect to such Change of Credit Facility and stating, in effect, that such Change of Credit Facility is authorized under the Loan Agreement.

The Company may provide for one or more extensions of a Credit Facility for any period commencing after its then-current expiration date without complying with the foregoing provisions.

The Company may rescind its election to make a Change of Credit Facility at any time prior to the effective date thereof.

Obligation Absolute

The Company's obligation to make Loan Payments and payments of purchase price described under "THE LOAN AGREEMENT—Payment of Purchase Price" will be absolute, irrevocable and unconditional and will not be subject to cancellation, termination or abatement or to any defense other than payment, or to any right of setoff, counterclaim or recoupment arising out of any breach under the Loan Agreement or the Indenture or otherwise by the Company, the Trustee, the Remarketing Agent, the Provider or any other party. The Loan Payments and the other payments due under the Loan Agreement will continue to be payable at the times and in the amounts specified whether or not the Project, or any portion thereof, shall have been destroyed by fire or other casualty, or title thereto, or the use thereof, shall have been taken by the exercise of the power of eminent domain, and that there shall be no abatement of or diminution in any such payments by reason thereof, whether or not the Project shall be used or useful and whether or not any applicable laws, regulations or standards shall prevent or prohibit the use of the Project or for any other reason. Neither the Plant, the Facilities nor the Project shall constitute any part of the trust estate or any part of the security for the Bonds.

Tax Covenants; Tax-Exempt Status of Bonds

The Company covenants that the Bond proceeds, the earnings thereon and any other moneys on deposit with respect to the Bonds will not be used in such a manner as to cause the Bonds to be "arbitrage bonds" within the meaning of the Code.

The Company covenants for the benefit of the Owners of the Bonds and the Issuer that it has not taken, and will not take, or permit to be taken on its behalf, any action which would adversely affect the Tax-Exempt status of the Bonds and will take, or require to be taken, such actions as may, from time to time, be required under applicable law or regulation to continue to cause the Bonds to be Tax-Exempt. See "TAX EXEMPTION."

Other Covenants of the Company

Maintenance of Existence; Conditions Under Which Exceptions Permitted. The Company will maintain in good standing its corporate existence as a corporation organized under the laws of any state of the United States or the District of Columbia and will remain duly qualified to do business in the State of Montana for so long as the Company has an ownership interest in the Project, will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation; provided, however, that the Company may, without violating the foregoing, undertake from time to time any one or more of the following if, prior to the effective date thereof, such action is approved by all public utility commissions or similar entities that are required by law to approve such action and there shall have been delivered to the Trustee a Favorable Opinion of Bond Counsel: (a) consolidate with or merge into another corporation or sell or otherwise transfer to another entity all or substantially all of its assets as an entirety, provided the resulting, surviving or transferee entity, as the case may be, shall be the Company or an entity qualified to do business in the State of Montana as a foreign corporation or incorporated and existing under the laws of the State of Montana, which shall have assumed in writing all of the obligations of the Company under the Loan Agreement and the Credit Facility Agreement and shall deliver to the Trustee an opinion of counsel to the Company that such consolidation or merger complies with the provisions of this paragraph; or (b) convey all or substantially all of its assets to one or more wholly owned subsidiaries of the Company so long as the Company shall remain in existence and primarily liable on all of its obligations under the Loan Agreement and the subsidiary or subsidiaries to which such assets shall be so conveyed shall guarantee in writing the performance of all of the Company's obligations under the Loan Agreement, and under the Credit Facility Agreement.

Assignment. With the Provider's consent, the Company's interest in the Loan Agreement may be assigned in whole or in part by the Company (a) to another entity, subject, however, to the conditions that such assignment shall not relieve (other than as described in the preceding paragraph) the Company from primary liability for its obligations to make the Loan Payments or to make payments to the Trustee with respect to payment of the purchase price of the Bonds or for any other of its obligations under the Loan Agreement or (b) to an Affiliate in connection with the conveyance of the Plant to such Affiliate, subject, however, to the conditions that (i) such Affiliate is a corporation qualified to do business in the State of Montana as a foreign corporation or incorporated and existing under the laws of the State of Montana, which shall have assumed in writing all of the obligations of the Company under the Loan Agreement (in which case the Company shall be relieved of all obligations under the Loan Agreement); (ii) such conveyance is approved by any public utility commissions or similar entities that are required by law to approve such conveyance; and (iii) the Company shall have delivered to the Trustee and the Provider an opinion of counsel to the Company that such assignment complies with the provisions described in this paragraph and an Opinion of Bond Counsel to the effect that the proposed assignment will not impair the validity of the Bonds under the Montana Act or adversely affect the Tax-Exempt status of the Bonds. The Company shall, within 30 days after the delivery thereof, furnish to the Issuer, the Provider and the Trustee a true and complete copy of the agreements of other documents effectuating any such assignment.

Maintenance and Repair. The Company shall cause the Project to be maintained in good repair, keep the same insured in accordance with standard industry practice and pay all costs thereof. The Company will pay or cause to be paid its share of all taxes, assessments, levies, duties, imports and governmental, utility and other charges with respect to the Project.

The Company may at its own expense cause the Project to be remodeled or cause such substitutions, modifications and improvements to be made to the Project from time to time as the Company, in its discretion, may deem to be desirable for its uses and purposes, which remodeling, substitutions, modifications and improvements shall be included under the terms of the Loan Agreement as part of the Project; provided, however, that the Company shall not exercise any such right, power, election or option if the proposed remodeling, substitution, modification or improvement would adversely affect the Tax-Exempt status of the Bonds.

The Company shall be entitled to the proceeds of any condemnation award or portion thereof made for damage to or taking of the Project or other property of the Company.

Anything in the Loan Agreement to the contrary notwithstanding, the Company shall have the right at any time to cause the operation of the Plant to be terminated if the Company shall have determined or concurred in a determination that the continued operation of the Plant is uneconomical for any reason.

Defaults

Each of the following events will constitute an "Event of Default" under the Loan Agreement:

(a) a failure by the Company to make when due any Loan Payment or any payment required to be made to the Trustee for the purchase of Bonds, which failure results in an "Event of Default" as described herein in paragraph (a), (b) or (c) under "THE INDENTURE—Defaults;"

(b) a failure by the Company to pay when due any amount required to be paid under the Loan Agreement or to observe and perform any other covenant, condition or agreement on the Company's part to be observed or performed under the Loan Agreement (other than a failure described in clause (a) above), which failure continues for a period of 90 days (or such longer

period as the Issuer and, if so directed by the Owners of a majority in aggregate principal amount of the Bonds, the Trustee may agree to in writing) after written notice, specifying such failure and requesting that it be remedied, shall have been given to the Company by the Trustee or to the Company and the Trustee by the Issuer; provided, however, that if such failure is other than for the payment of money and is of such nature that it cannot be corrected within the applicable period, such failure shall not constitute an Event of Default under the Loan Agreement so long as the Company institutes corrective action within the applicable period and such action is being diligently pursued, or

(c) certain events of bankruptcy, dissolution, liquidation or reorganization of the Company.

The Loan Agreement provides that, with respect to any Event of Default described in clause (b) above if, by reason of acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies, orders of political bodies; certain natural disasters; civil disturbances and certain other events specified in the Loan Agreement, or any cause or event not reasonably within the control of the Company, the Company is unable, in whole or in part, to carry out any one or more of its agreements or obligations contained in the Loan Agreement (other than certain obligations specified in the Loan Agreement, including its obligations to make when due Loan Payments, to make payments to the Trustee for the purchase of Bonds, to pay certain expenses and taxes, to indemnify the Issuer, the Trustee and others against certain liabilities, to discharge liens and to maintain its existence), the Company shall not be deemed in default by reason of not carrying out such agreement or agreements or performing such obligation or obligations during the continuance of such inability. The Company shall make reasonable effort to remedy with all reasonable dispatch the cause or causes preventing it from carrying out its agreements, provided that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Company, and the Company shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the Company unfavorable to the Company, except to the extent that the Company's ability to pay when due any amount under the Credit Facility Agreement will be jeopardized by the Company's failure to make such a settlement.

Remedies

Upon the occurrence and continuance of any Event of Default described in clauses (a) or (c) in the second preceding paragraph, and further upon the condition that, in accordance with the terms of the Indenture, the Bonds shall have been declared to be immediately due and payable pursuant to any provision of the Indenture, the Loan Payments shall, without further action, become and be immediately due and payable. Any waiver of any Event of Default under the Indenture and a rescission and annulment of its consequences will constitute a waiver of the corresponding Event or Events of Default under the Loan Agreement and a rescission and annulment of the consequences thereof. See "THE INDENTURE—Defaults."

Upon the occurrence and continuance of any Event of Default under the Loan Agreement, the Issuer may take any action at law or in equity to collect any payments then due and thereafter to become due or to seek injunctive relief or specific performance of any obligation, agreement or covenant of the Company under the Loan Agreement and with respect to any Credit Facility.

Any amounts collected from the Company upon an Event of Default under the Loan Agreement will be applied in accordance with the Indenture.

Amendments

The Loan Agreement may be amended by the Issuer and the Company subject to the limitations contained in the Indenture. See "THE INDENTURE—Amendment of the Loan Agreement."

THE INDENTURE

The following is a summary of certain provisions of the Indenture. It is not a comprehensive recitation of each and every provision thereof, and investors seeking such a recitation are referred to the definitive Indenture, which is available from the Underwriter during the offering period, and from the Trustee thereafter.

Pledge and Security

Pursuant to the Indenture, the Letter of Credit will be pledged by the Issuer to the Trustee to secure the payment of the principal of, and premium, if any, and interest on, the Bonds. The Issuer will also pledge and assign to the Trustee all its rights and interests under the Loan Agreement (other than its rights to indemnification and reimbursement of expenses and certain other rights), and has pledged to the Trustee all moneys and obligations deposited or to be deposited in the Bond Fund established with the Trustee, provided that the Trustee will have a prior claim on the Bond Fund (except for moneys received under the Credit Facility and except for moneys on deposit therein for the redemption or payment of the Bonds) for the payment of its compensation and expenses and for the repayment of any advances (plus interest thereon) made by it to effect performance of certain covenants in the Indenture if the Company has failed to make any payment which results in an Event of Default under the Loan Agreement. The Facilities do not and shall not constitute any part of the trust estate or any part of the security for the Bonds.

Application of Proceeds; Bond Fund

The proceeds from the sale of the Bonds, excluding accrued interest, if any, will be deposited with the Trustee for the Prior Bonds and used, together with moneys to be provided by the Company prior to December 31, 2008, to refund and redeem the Prior Bonds. See "USE OF PROCEEDS."

There is created under the Indenture a Bond Fund to be held by the Trustee and therein established a Principal Account and an Interest Account. Payments made by the Company under the Loan Agreement in respect of the principal of, and premium, if any, and interest on, the Bonds and certain other amounts specified in the Indenture are to be deposited in the appropriate account in the Bond Fund. While any Bonds are outstanding and except as provided in the Indenture and a Tax Exemption Certificate and Agreement among the Trustee, the Issuer and the Company (the "Tax Certificate"), moneys in the Bond Fund will be used solely for the payment of the principal of, and premium, if any, and interest on, the Bonds as the same shall become due and payable at maturity, upon redemption or upon acceleration of maturity, subject to the prior claim of the Trustee, to the extent described above in "THE INDENTURE—Pledge and Security."

The Trustee shall apply moneys in the Principal Account and the Interest Account to the payment of the principal of and interest on the Bonds on any Bond Payment Date in the following order of priority while the Credit Facility is the Letter of Credit or another direct pay letter of credit:

(i) Moneys drawn under the Credit Facility;

(ii) Any other Available Moneys; and

(iii) Any other moneys paid by the Company pursuant to the Agreement or any other moneys in the Bond Fund.

Investment of Funds

Subject to the provisions of the Tax Certificate, moneys in the Bond Fund will, at the specific written direction of the Company, be invested in securities or obligations specified in the Indenture. Gains from such investments will be credited, and any loss will be charged, to the particular fund or account from which the investments were made.

Defaults

Each of the following events will constitute an "Event of Default" under the Indenture:

(a) a failure to pay the principal of or premium, if any, on any of the Bonds when the same becomes due and payable at maturity, upon redemption or otherwise;

(b) a failure to pay an installment of interest on any of the Bonds bearing interest at the Daily Interest Rate, which failure shall continue for a period of two Business Days after the date interest has become due and payable;

(c) a failure to pay amounts due in respect of the purchase price of Bonds as provided under the caption "THE DAILY INTEREST RATE BONDS—Optional Tender for Purchase" and "—Mandatory Tender for Purchase;"

(d) a failure by the Issuer to observe and perform any covenant, condition, agreement or provision contained in the Bonds or the Indenture (other than a failure described in clause (a), (b) or (c) above), which failure shall continue for a period of 90 days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the Issuer and the Company by the Trustee which may give such notice in its discretion and shall give such notice at the written request of the Owners of not less than 33-1/3% in principal amount of the Bonds then Outstanding, unless the Trustee, or the Trustee and the Owners of a principal amount of Bonds not less than the principal amount of Bonds the Owners of which requested such notice, as the case may be, shall agree in writing to an extension of such period prior to its expiration; provided, however, that the Trustee, or the Trustee and the Owners of such principal amount of Bonds, as the case may be, will be deemed to have agreed to an extension of such period if corrective action is initiated by the Issuer or the Company on behalf of the Issuer within such period and is being diligently pursued;

(e) an "Event of Default" under the Loan Agreement; or

(f) The Trustee's receipt of written notice (which may be given by facsimile) from the Provider of an event of default under and as defined in the Credit Facility Agreement, and directing acceleration.

Remedies

If an Event of Default described in clause (a), (b), (c) or (f) of the preceding paragraph has occurred and has not been cured or waived, or an Event of Default described in clause (e) of the preceding paragraph resulting from an "Event of Default" under paragraphs (a) or (c) as described under "THE LOAN AGREEMENT—Defaults" has occurred and has not been cured or waived, then (i) the Trustee

may, with the consent of the Provider (unless a Provider Default shall have occurred and be continuing) or (ii) the Trustee shall (A) upon the written direction of the Provider (unless a Provider Default shall have occurred and be continuing), or (B) upon the written request of the Owners of not less than 33-1/3% in principal amount of the Bonds then Outstanding and with the consent of the Provider (unless a Provider Default shall have occurred and be continuing), by written notice by registered or certified mail to the Issuer, the Company and the Provider, declare the Bonds to be immediately due and payable and, during the period the Credit Facility is in effect, with accrued interest on the Bonds payable on the Bond Payment Date fixed in accordance with the Indenture, anything in the Indenture or in the Bonds to the contrary notwithstanding, and the Trustee shall give notice thereof to the Issuer, the Company, the Remarketing Agent and the Provider and shall give notice thereof by first-class mail to all Owners of Outstanding Bonds, and the Trustee shall as promptly as practicable draw moneys under the Credit Facility to the extent available thereunder, in an amount sufficient to pay principal of and accrued interest on the Bonds payable on such Bond Payment Date.

The provisions described in the preceding paragraph are subject further to the condition that if, so long as no Credit Facility is in effect, after the principal of the Bonds shall have been so declared to be due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Issuer shall cause to be deposited with the Trustee a sum sufficient to pay all matured installments of interest upon all Bonds, any unpaid purchase price and the principal of any and all Bonds which shall have become due otherwise than by reason of such declaration (with interest upon such principal and, to the extent permissible by law, on overdue installments of interest, at the rate per annum then borne by the Bonds) and such amount as shall be sufficient to cover reasonable compensation and reimbursement of expenses payable to the Trustee and all Events of Default (other than nonpayment of the principal of Bonds which shall have become due by said declaration) shall have been remedied, then, in every such case, such Event of Default shall be deemed waived and such declaration and its consequences rescinded and annulled, and the Trustee shall promptly give written notice of such waiver, rescission or annulment to the Issuer and the Company, and shall give notice thereof by first-class mail to all Owners of Outstanding Bonds; provided, however, that no such waiver, rescission and annulment shall extend to or affect any other Event of Default or subsequent Event of Default or impair any right, power or remedy consequent thereon.

The provisions of the second preceding paragraph are, further, subject to the condition that, if an Event of Default described in clause (f) of such paragraph shall have occurred and if the Trustee shall thereafter have received written notice from the Provider (i) that the notice which caused such Event of Default to occur has been withdrawn and (ii) that the amounts available to be drawn on the Credit Facility to pay (A) the principal of the Bonds or the portion of purchase price equal to the principal and (B) interest on the Bonds and the portion of purchase price equal to accrued interest have been reinstated to an amount equal to the principal amount of the Bonds Outstanding plus accrued interest thereon in the amount calculated in accordance with the Indenture, then, in every such case, such Event of Default shall be deemed waived and its consequences rescinded and annulled, and the Trustee shall promptly give written notice of such waiver, rescission and annulment to the Issuer, the Company, the Provider and the Remarketing Agent, and, if notice of the acceleration of the Bonds shall have been given to the Owners of Bonds, shall give notice thereof by first-class mail to all Owners of Outstanding Bonds; but no such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

Upon the occurrence and continuance of any Event of Default under the Indenture, the Trustee may, with the consent of the Provider (unless a Provider Default shall have occurred and be continuing), and upon the written request of the Owners of not less than 33-1/3% in principal amount of the Bonds then Outstanding and with the consent of the Provider (unless a Provider Default shall have occurred and be continuing) and receipt of indemnity to its satisfaction (except against negligence or willful

misconduct) shall in its own name and as the Trustee of an express trust, pursue any available remedy to enforce all rights of the Owners under, and require the Issuer, the Company or the Provider to carry out any agreements with or for the benefit of the Owners of Bonds and to perform its or their duties under the Montana Act, the Loan Agreement, the Indenture, the Credit Facility and the Credit Facility Agreement; provided that any such remedy may be taken only to the extent permitted under the applicable provisions of the Loan Agreement or the Indenture, as the case may be; bring suit upon the Bonds; require the Issuer to account as if it were the trustee of an express trust for the Owners of Bonds; or enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of Bonds. The Trustee is not required to take any action in respect of an Event of Default (other than, in certain circumstances, to declare the Bonds to be immediately due and payable, to make certain payments with respect to the Bonds or to enforce the trusts created by the Indenture) except upon the written request of the Owners of not less than 33-1/3% in principal amount of the Bonds then outstanding and receipt of indemnity satisfactory to it.

The Trustee will waive any Event of Default and its consequences and rescind any declaration of acceleration of principal upon (a) the written direction of the Provider (unless a Provider Default shall have occurred and be continuing) and (b) the written request of the Owners of (i) more than a majority in principal amount of all Outstanding Bonds in respect of which default in the payment of principal or purchase price of or interest on the Bonds exists or (b) more than a majority in principal amount of all Outstanding Bonds in the case of any other Event of Default; provided, however, that any Event of Default under paragraph (f) under "THE INDENTURE—Defaults" shall be waived only as described in the second preceding paragraph; provided further, that (x) there will not be waived any Event of Default specified in paragraphs (a), (b) or (c) under the caption "THE INDENTURE—Defaults" unless prior to such waiver or rescission the Issuer shall have caused to be deposited with the Trustee a sum sufficient to pay all matured installments of interest upon all Bonds and the principal and purchase price of any and all Bonds which shall have become due otherwise than by reason of such declaration of acceleration (with interest upon such principal and, to the extent permissible by law, on overdue installments of interest, at the rate per annum then borne by the Bonds), (y) in the event that the Credit Facility has been drawn upon to pay the principal of and interest on the Bonds upon acceleration, no Event of Default shall be waived unless (in addition to the applicable conditions as aforesaid) the Trustee shall have received written notice from the Provider that the amounts available to be drawn on the Credit Facility to pay (A) the principal of the Bonds or the portion of purchase price equal to principal and (B) interest on the Bonds and the portion of purchase price equal to accrued interest have been reinstated to an amount equal to the principal amount of the Bonds Outstanding plus accrued interest thereon equal in amount, while the Letter of Credit is in effect, to the Interest Stated Amount and (z) no Event of Default will be waived unless (in addition to the applicable conditions as aforesaid) there shall have been deposited with the Trustee such amount as will be sufficient to cover reasonable compensation and reimbursement of expenses payable to the Trustee. In case of any waiver or rescission described above, or in case any proceeding taken by the Trustee on account of any such Event of Default shall have been discontinued or concluded or determined adversely, then and in every such case the Issuer, the Trustee and the Owners of Bonds will be restored to their former positions and rights under the Indenture, provided, however, that no such waiver or rescission will extend to any subsequent or other Event of Default or impair any right consequent thereon.

Nothing in the Indenture shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner of Bonds any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any Owner of Bonds thereof, or to authorize the Trustee to vote in respect of the claim of any Owner of Bonds in any such proceeding without the approval of the Owners of Bonds so affected.

The Provider (provided that a Provider Default shall not have occurred and be continuing) or the Owners of a majority in principal amount of the Bonds then Outstanding, with the consent of the Provider (provided that a Provider Default shall not have occurred and be continuing), will have the right to direct

the time, method and place of conducting all remedial proceedings available to the Trustee under the Indenture or exercising any trust or power conferred on the Trustee upon furnishing satisfactory indemnity to the Trustee (except against negligence or willful misconduct) and provided that such direction will not be other than in accordance with the provisions of law and the Indenture and will not result in any personal liability of the Trustee.

No Owner will have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust or power of the Trustee or any other remedy under the Indenture or in the Bonds unless such Owner has previously given the Trustee written notice of an Event of Default and unless the Owners of not less than 33-1/3% in principal amount of the Bonds then Outstanding have made written request of the Trustee so to do, and unless satisfactory indemnity (except against negligence or willful misconduct) has been offered to the Trustee and the Trustee has not complied with such request within a reasonable time.

Notwithstanding any other provision in the Indenture, the right of any Owner to receive payment of the principal or purchase price of, and premium, if any, and interest on the Owner's Bond, on or after the respective due dates expressed therein, shall not be impaired or affected without the consent of such Owner.

Defeasance

All or any portions of Bonds (in Authorized Denominations) shall, prior to the maturity or redemption date thereof, be deemed to have been paid for all purposes of the Indenture when:

(a) the Bonds or portions thereof have been selected for redemption and the Trustee shall have given, or the Company shall have given to the Trustee in form satisfactory to it, irrevocable instructions to give notice of redemption of such Bonds or portions thereof;

(b) there shall have been deposited with the Trustee moneys, which shall be Available Moneys or moneys drawn on the Credit Facility, in an amount sufficient (without relying on any investment income) to pay when due the principal of, and premium, if any, and interest due and to become due (which amount of interest to become due shall be calculated at the Maximum Interest Rate unless the interest rate borne by all of such Bonds is not subject to adjustment prior to the maturity or redemption thereof, in which case the amount of interest shall be calculated at the rate borne by such Bonds) on such Bonds or portions thereof on and prior to the redemption date or maturity date thereof, as the case may be; provided, however, that if such payment is to be made upon redemption, such payment shall be made from Available Moneys;

(c) in the event such Bonds or portions thereof do not mature and are not to be redeemed within the next succeeding 60 days, the Issuer at the direction of the Company shall have given the Trustee in form satisfactory to it irrevocable instructions to give, as soon as practicable in the same manner as a notice of redemption is given pursuant to the Indenture, a notice to the Owners of such Bonds or portions thereof that the deposit required by clause (b) above has been made with the Trustee and that such Bonds or portions thereof are deemed to have been paid and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of, and premium, if any, and interest on such Bonds or portions thereof;

(d) the Issuer, the Company, the Trustee and the Provider shall have received written evidence from Moody's, if the Bonds are then rated by Moody's, and S&P, if the Bonds

are then rated by S&P, that such action will not result in a reduction, suspension or withdrawal of the rating; and

(e) the Issuer, the Company, the Trustee, Moody's, if the Bonds are then rated by Moody's, S&P, if the Bonds are then rated by S&P, and the Provider shall have received a Favorable Opinion of Bond Counsel with respect to such deposit.

In the event the requirements of the next succeeding paragraph can be satisfied, the preceding paragraph shall not apply, and the following two paragraphs shall be applicable (the final two paragraphs under this caption shall apply in either case).

Any Bond shall be deemed to be paid within the meaning of the Indenture when: (a) payment of the principal of and premium if any, on such Bond, plus interest thereon to the due date thereof (whether such due date is by reason of maturity or acceleration or upon redemption as provided in the Indenture) either (i) shall have been made or caused to be made in accordance with the terms thereof or (ii) shall have been provided for by irrevocably depositing with the Trustee in trust and irrevocably set aside exclusively for such payment (A) moneys, which shall be Available Moneys or moneys drawn on the Credit Facility, sufficient to make such payment and/or (B) Government Obligations (defined below) purchased with Available Moneys or moneys drawn under the Credit Facility and maturing as to principal and interest in such amount and at such time as will insure, without reinvestment, the availability of sufficient moneys to make such payment; provided, however, that if such payment is to be made upon an optional redemption, such payment shall be made from Available Moneys or from Government Obligations purchased with Available Moneys; (b) all necessary and proper fees, compensation and expenses of the Issuer, the Trustee, the Remarketing Agent, the Provider, the Paying Agent and the Registrar pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee; and (c) an accountant's opinion to the effect that such moneys and/or Government Obligations will insure, without reinvestment, the availability of sufficient moneys to make such payment, and a Favorable Opinion of Bond Counsel with respect to such deposit shall have been delivered to the Trustee. The foregoing provisions shall apply only if (x) the Bond with respect to which such deposit is made is to mature or be called for redemption prior to the next date on which such Bond is subject to purchase as described herein under the caption "THE DAILY INTEREST RATE BONDS—Optional Tender for Purchase" or "– Mandatory Tender for Purchase" and (y) the Company has waived, to the satisfaction of the Trustee, its right to adjust the interest rate borne by such Bond.

No deposit under clause (a)(ii) of the immediately preceding paragraph shall be deemed a payment of such Bonds as aforesaid until: (a) proper notice of redemption of such Bonds shall have been previously given in accordance with the Indenture, or in the event such Bonds are not to be redeemed within the next succeeding 60 days, until the Company shall have given the Trustee on behalf of the Issuer, in form satisfactory to the Trustee, irrevocable instructions to notify, as soon as practicable, the Owners of the Bonds in accordance with the Indenture that the deposit required by clause (a)(ii) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with the Indenture and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of and the applicable redemption premium, if any, on such Bonds, plus interest thereon to the due date thereof; or (b) the maturity of such Bonds.

Moneys deposited with the Trustee as described above shall not be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of, premium, if any, and interest on said Bonds or portions thereof, or for the payment of the purchase price of Bonds in accordance with the Indenture, provided that such moneys, if not then needed for such purpose, shall, to the extent practicable, be invested and reinvested in direct obligations of, or obligations the principal of

and interest on which are unconditionally guaranteed as to full and timely payment by, the United States of America, which are not subject to redemption or prepayment prior to stated maturity ("Government Obligations") maturing on or prior to the earlier of (i) the date moneys may be required for the purchase of Bonds or (ii) the Interest Payment Date next succeeding the date of investment or reinvestment, and interest earned from such investments shall be paid over to the Company, as received by the Trustee, free and clear of any trust, lien or pledge.

Notwithstanding that all or any portion of the Bonds are deemed to be paid, the provisions of the Indenture relating to (i) the registration and exchange of Bonds, (ii) the delivery of Bonds to the Trustee for purchase and the related obligations of the Trustee with respect thereto, (iii) replacement of mutilated, lost, destroyed or stolen Bonds, (iv) payment of the Bonds from such moneys and (v) payment, compensation, reimbursement and indemnification of the Trustee, shall remain in full force and effect with respect to all Bonds until the maturity date of the Bonds or the last date fixed for redemption of all Bonds prior to maturity and, in the case of clause (v), until payment, compensation, reimbursement or indemnification, as the case may be, of the Trustee.

Removal of Trustee

The Trustee may be removed at any time by filing with the Trustee so removed and with the Issuer, the Company, the Registrar, the Provider and the Remarketing Agent, an instrument or instruments in writing executed by (i) the Provider, if no Provider Default or Event of Default shall have occurred and be continuing and if the Trustee has acted or failed to act hereunder in any manner that is contrary to the standard of care of the Trustee provided for herein, or (ii) the Owners of not less than a majority in principal amount of the Bonds then Outstanding and, if no Provider Default shall have occurred and be continuing, the Provider. The Trustee may also be removed by the Issuer under certain circumstances. In no event shall a removal take effect earlier than the date on which a successor Trustee has been appointed and has accepted its appointment.

Modifications and Amendments

The Indenture may be modified or amended by the Issuer and the Trustee by supplemental indentures without the consent of the Owners of the Bonds for any of the following purposes: (a) to cure any formal defect, omission, inconsistency or ambiguity in the Indenture; (b) to add to the covenants and agreements of the Issuer contained in the Indenture or of the Company or of the Provider contained in any document, other covenants or agreements thereafter to be observed, or to assign or pledge additional security for any of the Bonds, or to surrender any right or power reserved or conferred upon the Issuer or the Company; (c) to confirm, as further assurance, any pledge of or lien on any Revenues or any other moneys, securities or funds subject or to be subjected to the lien of the Indenture; (d) to comply with the requirements of the Trust Indenture Act of 1939, as from time to time amended, if applicable to the Indenture; (e) to implement an adjustment of the interest rate on the Bonds; (f) to provide for a Change of Credit Facility; (g) to provide for a depository to accept Bonds in lieu of the Trustee; (h) to modify or eliminate the book-entry registration system for any of the Bonds; (i) to provide for uncertificated Bonds or for the issuance of coupons and bearer Bonds or Bonds registered only as to principal, but only to the extent that such would not adversely affect the Tax-Exempt status of the Bonds; (j) to secure or maintain ratings for the Bonds from Moody's and/or S&P; (k) to provide demand purchase obligations to cause the Bonds to be authorized purchases for investment companies; (l) to provide for the appointment of a Remarketing Agent or a successor Trustee, Registrar, Paying Agent or Remarketing Agent; (m) to provide the procedures required to permit any Owner to separate the right to receive interest on the Bonds from the right to receive principal thereof and to sell or dispose of such right as contemplated by Section 1286 of the Code; (n) to provide for any additional procedures, covenants or agreements necessary to maintain the Tax-Exempt status of the Bonds; (o) to modify, alter, amend or supplement the

Indenture in any other respect, if the effective date of such supplement or amendment is a date on which all Bonds affected thereby are subject to mandatory purchase or if notice by first-class mail of the proposed amendment or supplement is given to Owners of the Bonds at least 30 days before the effective date thereof and, on or before such effective date, such Owners have the right to require purchase of their Bonds; (p) to provide for any additional collateral and the release of any additional collateral in accordance with the Loan Agreement; and (q) to modify, alter, amend or supplement the Indenture or any Supplemental Indenture in any other respect, provided that such modification, alteration, amendment or supplement shall not adversely affect the interests of the Owners of the Bonds in any material respect, as evidenced by a certificate of an authorized Company representative.

Before the Issuer and the Trustee shall enter into any Supplemental Indenture as described above, (1) in the case of a Supplemental Indenture entered into pursuant to clauses (l), (n) or (p) of the preceding paragraph and provided that no Provider Default shall have occurred and be continuing, there shall have been delivered to the Trustee and the Company, the written consent of the Provider, and (2) in all cases, there shall have been delivered to the Trustee, the Provider and the Company a Favorable Opinion of Bond Counsel with respect to such Supplemental Indenture and further stating that such Supplemental Indenture is authorized or permitted by this Indenture and will, upon the execution and delivery thereof, be valid and binding upon the Issuer in accordance with its terms.

The Trustee shall provide written notice of any Supplemental Indenture to Moody's, S&P, the Provider, the Remarketing Agent and the Owners of all Bonds then Outstanding at least 15 days prior to the effective date of such Supplemental Indenture. Such notice shall state the effective date of such Supplemental Indenture and shall briefly describe the nature of such Supplemental Indenture and shall state that a copy thereof is on file at the Principal Office of the Trustee for inspection by the parties mentioned in the preceding sentence.

Except for any Supplemental Indenture entered into for the purposes described in the third preceding paragraph, the Indenture will not be modified, altered, amended, supplemented or rescinded without the consent of the Provider, together with the Owners of not less than 60% in aggregate principal amount of Bonds outstanding, which shall have the right to consent to and approve any Supplemental Indenture, provided that, unless approved in writing by the Provider (unless a Provider Default shall have occurred and be continuing) and the Owners of all the Bonds then affected thereby, there will not be permitted (a) a change in the times, amounts or currency of payment of the principal of, or premium, if any, or interest on any Bond, a change in the terms of the purchase thereof by the Trustee, or a reduction in the principal amount or redemption price of an Outstanding Bond or the rate of interest thereon; (b) the creation of a claim or lien on, or a pledge of, the Revenues ranking prior to or on a parity with the claim, lien or pledge created by the Indenture; or (c) a reduction in the aggregate principal amount of Bonds the consent of the Owners of which is required to approve any such Supplemental Indenture or which is required to approve any modification, alteration, amendment or supplement to the Loan Agreement. No amendment of the Indenture shall be effective without the prior written consent of the Company.

Amendment of the Loan Agreement

Without the consent of or notice to the Owners, the Issuer and the Company may, with the consent of the Provider (unless a Provider Default shall have occurred and be continuing), modify, alter, amend or supplement the Loan Agreement, and the Trustee may consent thereto, as may be required (a) by the provisions of the Loan Agreement and the Indenture; (b) for the purpose of curing any formal defect, omission, inconsistency or ambiguity therein; (c) to secure or maintain ratings for the Bonds from Moody's and/or S&P; (d) to add to the covenants and agreements of the Issuer contained in the Loan Agreement or of the Company or of the Provider contained in any document, other covenants or agreements thereafter to be observed, or to assign or pledge additional security for any of the Bonds, or to

surrender any right or power reserved or conferred upon the Issuer or the Company, which shall not materially adversely affect the interest of the Owners of the Bonds, as evidenced by a certificate of an authorized Company representative; (e) to provide demand purchase obligations to cause the Bonds to be authorized purchases for investment companies; (f) to provide the procedures required to permit any Owner to separate the right to receive interest on the Bonds from the right to receive principal thereof and to sell or dispose of such right as contemplated by Section 1286 of the Code; (g) to provide for any additional procedures, covenants or agreements necessary to maintain the Tax-Exempt status of interest on the Bonds; (h) to implement an adjustment of the interest rate on the Bonds or in connection with the appointment of a Remarketing Agent; (i) to provide for a Change of Credit Facility; (j) to modify, alter, amend or supplement the Loan Agreement in any other respect, including amendments which would otherwise be described in the next succeeding paragraph, if the effective date of such supplement or amendment is a date on which all of the Bonds affected thereby are subject to mandatory purchase or if notice by first-class mail of the proposed amendment or supplement is given to Owners of the Bonds at least 30 days before the effective date thereof and, on or before such effective date, such Owners have the right to demand purchase of their Bonds; (k) in connection with the delivery and substitution of any additional collateral and the release of any additional collateral in accordance with the Loan Agreement; and (l) in connection with any other change therein which does not materially adversely affect the interests of the Owners in any material respect, as evidenced by a certificate of an authorized Company representative.

The Issuer will not enter into, and the Trustee will not consent to, any other amendment, change or modification of the Loan Agreement without the written approval or consent of the Provider (unless a Provider Default shall have occurred and be continuing) and the Owners of not less than 60% in aggregate principal amount of the Bonds then Outstanding; provided, however, that, unless approved in writing by the Provider (unless a Provider Default shall have occurred and be continuing) and the Owners of all Bonds affected thereby, nothing in the Indenture shall permit, or be construed as permitting, a change in the obligations of the Company to make Loan Payments or payments to the Trustee for the purchase of Bonds.

Before the Issuer shall enter into, and the Trustee shall consent to, any modification, alteration, amendment or supplement to the Loan Agreement as described in the two immediately preceding paragraphs, there shall have been delivered to the Issuer, the Provider and the Trustee a Favorable Opinion of Bond Counsel and further stating that such modification, alteration, amendment or supplement is authorized or permitted by the Loan Agreement or the Indenture, and will, upon the execution and delivery thereof, be valid and binding upon the Issuer in accordance with its terms.

CONTINUING DISCLOSURE

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 Exchange Act of 1934, as amended, while they bear interest at a Daily Interest Rate. The Company covenants in the Loan Agreement that in the event the Bonds are adjusted to an interest rate that would subject the Bonds to the continuing disclosure 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 to provide continuing information in accordance with the Rule.

UNDERWRITING

Pursuant to and subject to the conditions set forth in a Bond Purchase Contract to be dated December 29, 2008, Banc of America Securities LLC, as Underwriter, will agree to purchase the Bonds from the Issuer at a purchase price of 100% of the principal amount of the Bonds. The Underwriter will

be committed to purchase all of the Bonds if any are purchased. The Company will agree to pay a fee to the Underwriter equal to $42,500 in consideration of its services and to reimburse it for its reasonable expenses in connection therewith. The Company will also agree to indemnify the Underwriter against certain liabilities, including liabilities under the federal securities laws, or to contribute to payments the Underwriter may be required to make in respect thereof. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the initial offering price stated on the cover page hereof. After the initial public offering, the public offering price and concessions to dealers may be changed from time to time by the Underwriter.

In the ordinary course of business, the Underwriter has provided investment banking services to the Company, its subsidiaries or affiliates in the past for which it has received customary compensation and expense reimbursement and may do so again in the future.

TAX EXEMPTION

Federal tax law contains a number of requirements and restrictions which apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith and certain other matters. The Issuer and the Company have covenanted to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Subject to compliance by the Issuer and the Company with the above-referenced covenants, under present law, in the opinion of Bond Counsel, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes, except after a failed remarketing as described below and except for interest on any Bond for any period during which such Bond is owned by a person who is a substantial user of the Project or any person considered to be related to such person (within the meaning of Section 103(b)(13) of the Internal Revenue Code of 1954, as amended). Interest on the Bonds is included, however, as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations. Bond Counsel will express no opinion concerning the exclusion from gross income of interest on any Bond while the Bond is held by a liquidity provider after a failed remarketing of the Bonds.

In rendering its opinion, Bond Counsel will rely upon certifications of the Issuer and the Company with respect to certain material facts solely within the Issuer's and the Company's knowledge relating to the Facilities and the application of the proceeds of the Bonds and the Prior Bonds. Bond Counsel's opinion represents its legal judgment based on its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of results.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual 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 of any such collateral consequences.

The issue price (the "Issue Price") for the Bonds is the price at which a substantial amount of the Bonds is first sold to the public. The Issue Price of a maturity of the Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the cover page hereof.

Owners of Bonds who dispose of Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering, but at a price different from the Issue Price or purchase Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Bond is purchased at any time for a price that is less than the Bond's stated redemption price at maturity, the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service may treat the Issuer as a taxpayer and the Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

Under the laws of the State of Montana, as presently enacted and construed, interest on the Bonds will be exempt from the Individual Income Tax imposed pursuant to Title 15, Chapter 30 of the Montana Code Annotated. However, interest on the Bonds will be subject to the Montana Corporate License and Income Tax imposed under Title 15, Chapter 31 of the Montana Code Annotated. Bond Counsel has expressed no opinion with respect to taxation of interest on the Bonds under any other provision of Montana Law. Ownership of the Bonds may result in other Montana consequences to certain taxpayers. Prospective investors should consult their tax advisors as to the applicability of any such collateral consequences.

CERTAIN LEGAL MATTERS

The validity of the Bonds will be passed upon by Chapman and Cutler LLP, Bond Counsel, and the Underwriter's obligation to purchase the Bonds is subject to the issuance of Bond Counsel's opinion with respect thereto. Certain legal matters will be passed upon for the Company by Marian M. Durkin, Esq., Senior Vice President, General Counsel and Chief Compliance Officer of the Company, and

Dewey & LeBoeuf LLP. Certain legal matters will be passed upon for the Bank by Moore & Van Allen, PLLC. Certain legal matters will be passed upon for the Underwriter by Kutak Rock LLP. Certain legal matters will be passed upon for the City of Forsyth, Montana by Gary Ryder, Esq., City Attorney.

Chapman and Cutler LLP acted as Bond Counsel for the Prior Bonds.

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APPENDIX A

AVISTA CORPORATION

The following information has been obtained from Avista Corporation. Neither the Issuer nor the Underwriter makes any representation as to the accuracy or completeness of such information.

General

Avista Corporation ("Avista Corporation" or "Avista"), which was incorporated in the Territory of Washington in 1889, is an energy company engaged in the generation, transmission and distribution of energy and, through its subsidiaries, in other energy related businesses. Our corporate headquarters are in Spokane, Washington, the hub of the Inland Northwest geographic region. Agriculture, mining and lumber were the primary industries in the Inland Northwest for many years; today health care, education, finance, electronic and other manufacturing, tourism and service sectors are growing in importance.

We have two reportable business segments, as follows:

- **Avista Utilities**—an operating division of Avista Corporation that comprises our regulated utility operations. Avista Utilities generates, transmits and distributes electricity and distributes natural gas. It also engages in wholesale purchases and sales of electricity and natural gas.

- **Advantage IQ**—an indirect subsidiary of Avista Corporation that provides facility information and cost management services for multi-site customers throughout North America. Advantage IQ's primary product lines include consolidated billing, resource accounting, energy analysis and loan profiling services.

Avista Corporation has other businesses, including sheet metal fabrication, venture fund investments and real estate investments, as well as certain natural gas storage facilities and a power purchase agreement held by Avista Energy, Inc. ("Avista Energy"), an indirect wholly-owned subsidiary. These activities do not represent a reportable business segment.

Advantage IQ, Avista Energy and various other companies are subsidiaries of Avista Capital, Inc. ("Avista Capital"), which is a wholly owned subsidiary of Avista Corporation.

Our mailing address is P.O. Box 3727, Spokane, Washington 99220, Attention: Treasurer, and our general telephone number is (509) 489-0500.

Avista Utilities

Avista Utilities provides electric distribution and transmission as well as natural gas distribution services in parts of eastern Washington and northern Idaho. It also provides natural gas distribution service in parts of northeast and southwest Oregon. At September 30, 2008, Avista Utilities supplied retail electric service to approximately 351,000 customers and retail natural gas service to approximately 310,000 customers across its entire service territory.

In addition to providing electric transmission and distribution services, Avista Utilities generates electricity from its generating facilities, which had a total net capability of approximately 1,771 MW at September 30, 2008. Avista Utilities owns and operates hydroelectric projects having a total net capability of approximately 979 MW, gas-fired generating facilities having a total net capability of 520

MW, an undivided interest in a coal-fired generating station with entitlement to 222 MW of net capability and a wood-waste fueled generating station having a net capability of 50 MW. In addition to its own resources, Avista Utilities is party to a number of long-term power purchase and exchange contracts that increase its available resources.

Advantage IQ

Advantage IQ's invoice processing, auditing, payment services and comprehensive reporting services are designed to provide companies with critical and easy-to-access information that enables them to proactively manage and reduce their utility, telecom and waste management expenses.

Effective July 2, 2008, Advantage IQ acquired Cadence Network, an energy and expense management company.

Other

Avista's other businesses include, in addition to Avista Energy, several other indirect subsidiaries, including Avista Ventures, Inc., Pentzer Corporation, Avista Development, Inc. and Advanced Manufacturing and Development.

Over time as opportunities arise, Avista plans to dispose of assets and phase out operations that do not fit with its overall corporate strategy. However, Avista may invest incremental funds to protect its existing investments and invest in new businesses that fit with its overall corporate strategy.

Until June 30, 2007, Avista Energy comprised the majority of operations in our Energy Marketing Resource Management segment. Upon the sale of substantially all of Avista Energy and Avista Energy Canada's contracts and ongoing operations to a third party on June 30, 2007, the majority of this segment's operations were ended.

AVAILABLE INFORMATION

General

Avista is subject to the informational reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Avista files annual, quarterly and special reports, proxy statements and other documents with the Securities and Exchange Commission (the "SEC") (File No. 1-3701). These documents contain important business and financial information. You may read and copy any materials Avista files with the SEC at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Avista's SEC filings are also available to the public from the SEC's website at http://www.sec.gov. Other than those documents or portions of documents incorporated by reference into this prospectus, information on this website does not constitute a part of this prospectus.

Incorporation of Documents by Reference

We are incorporating into this Official Statement by reference:

- Annual Report on Form 10-K for the year ended December 31, 2007;
- Quarterly Reports on Form 10-Q for the quarters ended March 31, 2008, June 30, 2008 and September 30, 2008;

- Current Reports on Form 8-K filed on February 20, 2008 (to the extent that such information has been filed and not furnished), March 6, 2008, March 19, 2008, March 31, 2008, April 8, 2008, May 14, 2008, June 30, 2008, August 11, 2008, August 18, 2008, September 18, 2008, November 19, 2008, December 1, 2008 (to the extent that such information has been filed and not furnished), December 16, 2008 and December 18, 2008; and

- all other documents filed by Avista with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this Official Statement and prior to the termination of the offering made by this Official Statement.

We refer to the documents incorporated into this Official Statement by reference as the "Incorporated Documents". Any statement contained in an Incorporated Document may be modified or superseded by a statement in this Official Statement (if such Incorporated Document was filed prior to the date of this prospectus) in any prospectus supplement or in any subsequently filed Incorporated Document.

You may request any of these filings, at no cost, by contacting us at the address or telephone number shown above. Avista maintains an Internet site at http://www.avistacorp.com which contains information concerning Avista and its affiliates. The information contained at Avista's Internet site is not incorporated in this Official Statement by reference and you should not consider it a part of this Official Statement.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The consolidated financial statements of Avista Corporation and subsidiaries as of December 31, 2007 and 2006, and for each of the three years in the period ended December 31, 2007, and the effectiveness of internal control over financial reporting as of December 31, 2007, incorporated by reference in this Official Statement have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports appearing therein (which reports (1) express an unqualified opinion on the financial statements and include an explanatory paragraph referring to certain changes in accounting and presentation resulting from the impact of recently adopted accounting standards, and (2) express an unqualified opinion on the effectiveness of internal control over financial reporting).

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APPENDIX B

PROPOSED FORM OF OPINION OF BOND COUNSEL

[TO BE DATED THE CLOSING DATE]

Re: $17,000,000
City of Forsyth, Montana
Pollution Control Revenue Refunding Bonds
(Avista Corporation Colstrip Project) Series 2008

We hereby certify that we have examined certified copy of the proceedings of record of the City Council of the City of Forsyth, Montana (the *"Issuer"*), a municipal corporation and political subdivision under the laws of the State of Montana, preliminary to the issuance by the Issuer of $17,000,000 aggregate principal amount of its Pollution Control Revenue Refunding Bonds (Avista Corporation Colstrip Project) Series 2008 (the *"Bonds"*). The Bonds are being issued pursuant to the provisions of Sections 90-5-101 to 90-5-114, inclusive, of the Montana Code Annotated, as amended and supplemented (the *"Act"*).

The Bonds are being issued for the purpose of refunding $17,000,000 aggregate principal amount of the Issuer's Pollution Control Revenue Refunding Bonds (Avista Corporation Colstrip Project) Series 2008 (the *"Refunded Bonds"*). The Refunded Bonds were issued for the purpose of refinancing various portions of the cost of the undivided interest (the *"Project"*) of Avista Corporation, a Washington corporation (the *"Company"*), in certain pollution control and solid waste disposal facilities (the *"Pollution Control Facilities"*) acquired and improved as part of Units 3 and 4 of the Colstrip Plant located in Rosebud County, Montana.

The proceeds of the Bonds have been deposited in trust with the trustee for the Refunded Bonds (the *"Trustee for the Refunded Bonds"*), to be used, together with other funds to be supplied by the Company to the Trustee for the Refunded Bonds in accordance with the indenture of trust pursuant to which the Refunded Bonds were issued, to provide for the redemption of the Refunded Bonds on December 31, 2008.

The Bonds mature on March 1, 2034, bear interest from time to time, computed as set forth in each of the Bonds, and are subject to purchase and redemption prior to maturity at the times, in the manner and upon the terms set forth in the Bonds. The Bonds are issuable only as fully-registered bonds without coupons in authorized denominations as provided in the hereinafter-defined Indenture.

From such examination of the proceedings of the City Council of the Issuer referred to above and from an examination of the Act, we are of the opinion that such proceedings show lawful authority for said issue of Bonds under the laws of the State of Montana now in force.

Pursuant to a Loan Agreement by and between the Company and the Issuer, dated as of December 1, 2008 (the *"Loan Agreement"*), the Issuer has agreed to loan the proceeds of sale of the Bonds to the Company to provide the moneys necessary, together with other funds to be provided by or on behalf of the Company as described in the Loan Agreement, for the refunding of the Refunded Bonds. The Loan Agreement (an executed counterpart of which has been examined by us) has, in our opinion, been duly authorized, executed and delivered by the Issuer and, assuming the due authorization, execution and delivery by the Company, is a valid and binding obligation of the Issuer enforceable in accordance with its terms, subject to the qualification that the enforcement thereof may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights generally or usual equitable principles in the event equitable remedies should be sought.

We have also examined an executed counterpart of the Trust Indenture, dated as of December 1, 2008 (the *"Indenture"*), by and between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (the *"Trustee"*), securing the Bonds and setting forth the covenants and undertakings of the Issuer in connection with the Bonds. Under the Indenture, the Revenues (as defined in the Indenture) of the Issuer from the Loan Agreement, together with certain additional rights of the Issuer thereunder, are pledged and assigned to the Trustee as security for the Bonds. From such examination, we are of the opinion that the proceedings of the City Council of the Issuer referred to above show lawful authority for the execution and delivery of the Indenture, that the Indenture is a valid and binding obligation of the Issuer, enforceable in accordance with its terms, subject to the qualification that the enforcement thereof may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights generally or usual equitable principles in the event equitable remedies should be sought, that the Bonds have been validly issued under the Indenture and that all requirements under the Indenture precedent to delivery of the Bonds have been satisfied.

We further certify that we have examined the form of bond prescribed in the Indenture and find the same to be in due form of law and in our opinion the Bonds, to the amount named, are valid and legally binding upon the Issuer according to the import thereof and, as provided in the Indenture and the Bonds, the principal of and premium, if any, and interest on the Bonds are payable by the Issuer solely out of Revenues of the Issuer from the Loan Agreement and all moneys and investments held by the Trustee under the Indenture or otherwise available to the Trustee for the payment thereof.

It is our opinion that, subject to compliance by the Company and the Issuer with certain covenants, under present law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes, except after a failed remarketing as described below and except for interest on any Bond for any period during which such Bond is owned by a person who is a substantial user of the Project or any person considered to be related to such person (within the meaning of Section 103(b)(13) of the Internal Revenue Code of 1954, as amended); *however*, such interest on the Bonds is included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended (the "Code"). Failure to comply with certain of such Company and Issuer covenants could cause the interest on the Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds. We express no opinion concerning the exclusion of interest from gross income on any Bond while the Bond is held by the liquidity provider after a failed remarketing of the Bonds.

It is our opinion that, under the laws of the State of Montana, as presently enacted and construed, interest on the Bonds will be exempt from the Montana Individual Income Tax imposed pursuant to Title 15, Chapter 30 of the Montana Code Annotated, as amended and supplemented. However, interest on the Bonds will be subject to the Montana Corporate License and Income Tax imposed pursuant to Title 15, Chapter 31 of the Montana Code Annotated, as amended and supplemented. We express no opinion with respect to taxation of interest on the Bonds under any other provision of Montana law. Ownership of the Bonds may result in other Montana tax consequences to certain taxpayers, and we express no opinion regarding such collateral consequences arising with respect to the Bonds.

We express no opinion concerning (a) the obligations of the Company under the Loan Agreement, (b) the title to, the description of, or the existence of any liens, charges or encumbrances on the Pollution Control Facilities or the Project of which they are a part or (c) the application of the proceeds of sale of the Bonds to the payment and cancellation of the Refunded Bonds.

As Bond Counsel, we express no opinion herein as to the accuracy, adequacy or completeness of any information furnished to any person in connection with any offer or sale of the Bonds.

In rendering this opinion, we have relied upon certifications of the Issuer and the Company with respect to certain material facts within the Issuer's and Company's knowledge. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion, and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

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