G 2100.3 B711r 11/2010 c.1

RATINGS: SEE "RATINGS" HEREIN

In the opinion of Bond Counsel to the Authority, under existing statutes and court decisions, and assuming continuing compliance with certain tax covenants as described herein, (i) interest on the 2010A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and (ii) such interest is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. ***Interest on the 2010B Bonds will be included in gross income for federal income tax purposes.*** *In the opinion of Bond Counsel to the Authority, under the Act, the 2010 Bonds and the interest thereon are exempt from taxation, except inheritance taxes, by the State of Oklahoma (the "State") or by any municipal corporation, county or other political subdivision or taxing district of the State. See "Tax Matters" herein.*

$239,315,000
GRAND RIVER DAM AUTHORITY

$162,185,000
Revenue Bonds, Series 2010A

$77,130,000
Revenue Bonds, Series 2010B
(Federally Taxable)

DATED: Date of Delivery

DUE: June 1, as shown on inside cover

The above-described bonds (collectively, the "*2010 Bonds*") of the Grand River Dam Authority (the "*Authority*") are being issued in two series pursuant to the Act, as defined herein, and under and pursuant to the General Bond Resolution No. 4800, adopted March 6, 1987, as amended and restated by Resolution No. 5107, adopted August 8, 2008, as supplemented by the Ninth Supplemental Resolution, adopted November 3, 2010 (the "*Resolution*"). The 2010 Bonds will be issued in fully-registered form in the denominations of $5,000 or any integral multiple thereof. The 2010 Bonds when initially issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("*DTC*"). DTC will act as securities depository for the 2010 Bonds. Purchases of beneficial ownership interests in the 2010 Bonds will be made in book-entry form only. Beneficial owners of the 2010 Bonds will not receive physical delivery of certificates evidencing their ownership interest in the 2010 Bonds so long as DTC or a successor securities depository acts as the securities depository with respect to the 2010 Bonds. Interest on the 2010 Bonds is payable each June 1 and December 1, commencing June 1, 2011, as more fully described herein. So long as DTC or its nominee is the registered owner of the 2010 Bonds, payments of the principal of and interest on the 2010 Bonds will be made directly to DTC by Bank of Oklahoma, National Association, Tulsa, Oklahoma, as the Bond Trustee, Bond Registrar and Paying Agent. Disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of DTC Participants. See "THE 2010 BONDS" herein.

Certain of the 2010 Bonds are subject to redemption prior to maturity, as more fully described herein.

The 2010 Bonds are being issued (i) to fund certain System Costs consisting of capital additions, repairs and improvements to the Authority's electric power and energy system (the "*System*"), (ii) to fund a portion of the interest accruing on the 2010 Bonds to December 1, 2012, and (iii) to pay certain costs of issuance of the 2010 Bonds.

The 2010 Bonds will constitute special obligations of the Authority, and the principal thereof and premium, if any, and interest thereon will be payable from and secured solely by the Revenues of the Authority derived from the ownership and operation of the System and other moneys and securities pledged under the Resolution, as more fully described herein.

Neither the State nor any political subdivision thereof is obligated to pay the principal of, premium, if any, or interest on the 2010 Bonds, and the faith and credit of the State or any such political subdivision is not pledged to the payment of the principal of, premium, if any, or interest on the 2010 Bonds. The Resolution does not mortgage or grant a security interest in any physical properties of the System to secure the 2010 Bonds. The Authority has no taxing power.

The 2010 Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of legality by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Authority. Certain legal matters in connection with the 2010 Bonds are subject to the approval of Gretchen Zumwalt-Smith, Esq., General Counsel to the Authority, and the approving certificate of the Attorney General of Oklahoma. Certain legal matters will be passed upon for the Underwriters by Crowe & Dunlevy, A Professional Corporation, Oklahoma City, Oklahoma, counsel to the Underwriters. It is expected that the 2010 Bonds in definitive form will be available for delivery to DTC on or about December 1, 2010.

Citi

BOSC, Inc.,
A subsidiary of BOK Financial Corp.

Wells Fargo Securities

BofA Merrill Lynch

Edward Jones

Dated: November 18, 2010

$239,315,000
Grand River Dam Authority

$162,185,000 Revenue Bonds, Series 2010A

$34,005,000 Serial Bonds

Maturity Date June 1	Principal Amount	Interest Rate	Priced to Yield	CUSIP[1]
2015	$ 3,435,000	3.000%	2.640%	386442TQ0
2016	3,535,000	3.000%	2.950%	386442TR8
2017	3,645,000	4.000%	3.290%	386442TS6
2018	3,790,000	4.000%	3.610%	386442TT4
2019	3,940,000	4.000%	3.890%	386442TU1
2020	4,095,000	4.000%	4.130%	386442TV9
2021	4,260,000	4.125%	4.320%	386442TZ0
2022	4,435,000	4.300%	4.460%	386442UA3
2025	2,870,000	4.750%	4.800%	386442TW7

$41,290,000	5.000% Term Bonds due June 1, 2030	Priced to Yield 5.260%	CUSIP[1] 386442TX5
$86,890,000	5.250% Term Bonds due June 1, 2040	Priced to Yield 5.550%	CUSIP[1] 386442TY3

$77,130,000 Revenue Bonds, Series 2010B (Federally Taxable)

Maturity Date June 1	Principal Amount	Interest Rate	Priced to Yield	CUSIP[1]
2015	$ 1,270,000	3.710%	3.710%	386442UB1
2016	1,320,000	4.180%	4.180%	386442UC9
2017	1,375,000	4.580%	4.580%	386442UD7
2018	1,435,000	5.070%	5.070%	386442UE5
2019	1,510,000	5.270%	5.270%	386442UF2
2020	1,590,000	5.470%	5.470%	386442UG0

$23,065,000	6.930% Term Bonds due June 1, 2030	Priced to Yield 6.930%	CUSIP[1] 386442UH8
$45,565,000	7.155% Term Bonds due June 1, 2040	Priced to Yield 7.155%	CUSIP[1] 386442UJ4

[1] CUSIP® is a registered trademark of the American Bankers Association. The CUSIP numbers listed above are being provided solely for the convenience of bondholders and the Authority does not make any representation with respect to such numbers or undertake any responsibility for their accuracy. The CUSIP numbers are subject to being changed after the issuance of the 2010 Bonds as a result of various subsequent actions including, but not limited to, a defeasance in whole or in part of the 2010 Bonds.

GRAND RIVER DAM AUTHORITY
226 W. Dwain Willis Avenue
Vinita, Oklahoma 74301-0409
(918) 256-5545

BOARD OF DIRECTORS

David J. Chernicky ..... Chairman
Stephen R. Spears ..... Chairman-Elect
Dewey F. Bartlett, Jr. ..... Director
Terry G. Frost ..... Director
Betty Kerns ..... Director
W. Brent LaGere ..... Director
Chris Meyers ..... Director

MANAGEMENT

Kevin A. Easley ..... Chief Executive Officer and Director of Investments
Michael S. Kiefner ..... Chief Operating Officer
Carolyn Vowell Dougherty ..... Chief Financial Officer/Treasurer
Gretchen Zumwalt-Smith ..... General Counsel
Donna M. Jones ..... Corporate Secretary
Charles J. Barney ..... Assistant General Manager of Thermal Generation
William M. Herron ..... Assistant General Manager of Engineering, System Operations and Reliability
Dale Willis ..... Assistant General Manager of Transmission

BOND COUNSEL TO AUTHORITY
Hawkins Delafield & Wood LLP
New York, New York

INDEPENDENT AUDITORS
Deloitte & Touche LLP
Tulsa, Oklahoma

This publication, printed by ImageMaster, Inc., is issued by Grand River Dam Authority as authorized by Title 82, Oklahoma Statutes 2001, Section 861 *et seq*. One hundred (100) copies have been prepared and distributed at a cost of $300. Copies have been deposited with the Publications Clearinghouse of the Oklahoma Department of Libraries.

No dealer, broker, salesperson or other person has been authorized by the Authority or the Underwriters to give any information or to make any representation in connection with the offering of the 2010 Bonds, other than the information and representations contained in this Official Statement and, if given or made, such information or representation must not be relied upon as having been authorized by the Authority or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the 2010 Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information, estimates and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the information contained herein since the date hereof. The information set forth herein concerning certain entities with whom the Authority has contracted, and The Depository Trust Company and its book-entry system, has been obtained by the Authority from sources believed by the Authority to be reliable. While the Underwriters have performed a review sufficient to form a reasonable basis for their belief in the accuracy and completeness of the information contained in this Official Statement, the Underwriters do not guarantee the accuracy or completeness of this Official Statement. This Official Statement does not constitute a contract between the Authority or the Underwriters and any one or more of the purchasers or registered owners of the 2010 Bonds.

This Official Statement contains statements that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "intend," "expect" and similar expressions are intended to identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2010 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE 2010 BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION. THE REGISTRATION, QUALIFICATION OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE JURISDICTIONS NOR ANY OF THEIR AGENCIES HAVE GUARANTEED OR PASSED UPON THE SAFETY OF THE 2010 BONDS AS AN INVESTMENT, UPON THE PROBABILITY OF ANY EARNINGS THEREON OR UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT.

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. THE COVER PAGE IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES HERETO TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

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OFFICIAL STATEMENT

$239,315,000
Grand River Dam Authority

$162,185,000
Revenue Bonds, Series 2010A

$77,130,000
Revenue Bonds, Series 2010B
(Federally Taxable)

INTRODUCTION

The purpose of this Official Statement, which includes the cover page hereof and the Appendices hereto, is to set forth the information concerning Grand River Dam Authority (the "*Authority*"), a governmental agency, body politic and corporate, of the State of Oklahoma (the "*State*"), and the Authority's Revenue Bonds Series 2010A (the "*2010A Bonds*") and the Authority's Revenue Bonds, Series 2010B (Federally Taxable) (the "*2010B Bonds*," and together with the 2010A Bonds, the "*2010 Bonds*").

The 2010 Bonds are to be issued pursuant to the Grand River Dam Authority Act, Title 82, Oklahoma Statutes 2001, Sections 861 *et seq.*, as amended (the "*Act*"), and the Authority's General Bond Resolution No. 4800, adopted March 6, 1987, as amended and restated by Resolution No. 5107, adopted August 8, 2008 (the "*General Bond Resolution*"), as supplemented by the Ninth Supplemental Resolution, adopted November 3, 2010 (collectively, with the General Bond Resolution, the "*Resolution*").

The 2010 Bonds will be secured on a parity with the Authority's outstanding (i) Revenue Bonds, Refunding Series 1995, (ii) Revenue Bonds, Refunding Series 2002A, (iii) Revenue Bonds, Series 2002B, and (iv) Revenue Bonds, Series 2008A, and any additional Bonds (including Refunding Bonds) hereafter issued under the General Bond Resolution, all of which are collectively referred to herein as the "*Bonds*". As of November 1, 2010, there are $844,582,483 Bonds of the Authority outstanding. Upon the expected delivery date of the 2010 Bonds, on or about December 1, 2010, the Authority will have Bonds outstanding in the aggregate principal amount of $1,083,897,483.

The references herein to the Act, the Resolution, and certain contracts are brief summaries of certain provisions thereof. Such summaries do not purport to be complete and reference is made to the Act, the Resolution, and such contracts for full and complete statements of such provisions. Copies of such documents are on file at the offices of the Authority and may be obtained upon request.

Capitalized terms used but not otherwise defined herein shall have the meanings assigned to them in the General Bond Resolution and as set forth in "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL BOND RESOLUTION — Certain Definitions" in Appendix A hereto.

PLAN OF FINANCING

General

The proceeds of the 2010 Bonds will be used (i) to fund certain System Costs consisting of capital additions, repairs and improvements to the System, (ii) to fund a portion of the interest accruing on the 2010 Bonds to December 1, 2012, and (iii) to pay certain costs of issuance of the 2010 Bonds.

SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of the proceeds of the 2010 Bonds:

Sources:	
Par Amount	$ 239,315,000.00
Net Discount	(4,913,531.60)
Total Sources:	$ 234,401,468.40
Uses:	
Deposit to the Construction Fund	$ 216,750,512.58
Deposit to Debt Service Account[1]	15,864,039.32
Costs of Issuance[2]	1,786,916.50
Total Uses:	$ 234,401,468.40

[1] *To fund a portion of the interest accruing on the 2010 Bonds to December 1, 2012.*
[2] *Includes the underwriters' discount, rating agency, Bond Trustee and legal fees and other expenses.*

THE 2010 BONDS

General

The 2010 Bonds will be dated as of the date of their original issuance and delivery (the "*Dated Date*") and will mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. The 2010 Bonds will be issued as fully-registered bonds, initially in book-entry only form, in denominations of $5,000 or any integral multiple thereof.

The 2010 Bonds bear interest at the rates set forth on the inside cover page of this Official Statement. Interest on the 2010 Bonds is payable semiannually on each June 1 and December 1, commencing June 1, 2011 (each, an "*Interest Payment Date*"), or if such date is not a business day, on the next succeeding business day with no additional interest, to the registered owners as of the regular record date, which is the 15th day (whether or not a business day) next preceding each Interest Payment Date (the "*Regular Record Date*"). Interest on the 2010 Bonds is computed on the basis of a 360-day year of twelve 30-day months. Interest on the 2010 Bonds accrues from the Dated Date.

Bank of Oklahoma, National Association, is the Bond Trustee under the Resolution (the "*Bond Trustee*") and the Bond Registrar and Paying Agent for the 2010 Bonds (the "*Bond Registrar*" and "*Paying Agent*," respectively). Bank of Oklahoma, National Association, is related to one of the Underwriters for the 2010 Bonds. See "UNDERWRITING" herein.

Optional Redemption

2010A Bonds. The 2010A Bonds maturing on and after June 1, 2021 shall be subject to redemption prior to maturity at the option of the Authority on or after June 1, 2020 in whole or in part at any time in any order of maturity determined by the Authority, at a Redemption Price equal to 100% of the principal amount of the 2010A Bonds or portions thereof to be redeemed plus accrued interest, if any, on such principal amount or portion thereof to the redemption date.

2010B Bonds. The 2010B Bonds shall be subject to redemption prior to their respective stated maturities at any time at the option of the Authority, in installments of $5,000 or any integral multiple

thereof, from any moneys available to the Authority for such purpose, as a whole or in part, from time to time in any order of maturity determined by the Authority, at the "*Make-Whole Redemption Price.*"

The "*Make-Whole Redemption Price*" is the amount equal to the greater of (i) 100 percent of the principal amount of the 2010B Bonds to be redeemed, plus accrued interest, if any, on the 2010B Bonds to be redeemed to the redemption date or (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the 2010B Bonds to be redeemed discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the "Treasury Rate" plus 40 basis points. The "*Treasury Rate*" means, with respect to any redemption date for a particular 2010B Bond, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price. Additional relevant terms are defined as follows:

> "*Comparable Treasury Issue*" means the U.S. Treasury security or securities selected by the Independent Investment Banker that has an actual or interpolated maturity comparable to the remaining weighted average life of the 2010B Bonds to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining weighted average life of the 2010B Bonds to be redeemed.
>
> "*Comparable Treasury Price*" means, with respect to any redemption date for a particular 2010B Bond, (i) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations or (ii) if the Independent Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.
>
> "*Independent Investment Banker*" means one of the Reference Treasury Dealers.
>
> "*Reference Treasury Dealer*" means Citigroup Global Markets Inc., Barclays Capital Inc., J.P. Morgan Securities LLC and Morgan Stanley & Co. Incorporated, and their respective successors; *provided, however*, that if any of them ceases to be a Primary Government Securities Dealer reporting to the Federal Reserve Bank of New York (a "*Primary Treasury Dealer*"), the Authority will substitute another Primary Treasury Dealer.
>
> "*Reference Treasury Dealer Quotations*" means, with respect to each Reference Treasury Dealer and any redemption date for a particular 2010B Bond, the average, as determined by the Independent Investment Banker and communicated to the Authority and the Bond Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker and communicated to the Authority and the Bond Trustee by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the 10th day (or, if such day is not a business day, the next preceding business day) preceding such redemption date.

Mandatory Sinking Fund Redemption

2010A Bonds. The 2010A Bonds due June 1, 2030 and June 1, 2040 will be subject to redemption prior to maturity on June 1 of each of the years and in the respective principal amounts specified below from Sinking Fund Installments required to be accumulated in the Debt Service Account in the Debt Service Fund. Each such redemption of the 2010A Bonds shall be made at a Redemption Price equal to 100% of the principal amount thereof together with accrued interest to the redemption date.

The Resolution requires that Sinking Fund Installments be provided on June 1 of each of the years set forth in the following tables sufficient to redeem the respective principal amounts of the 2010A Bonds maturing on June 1, 2030 set forth opposite such years:

Year	Principal Amount
2023	$4,630,000
2024	4,860,000
2025	2,230,000
2026	5,350,000
2027	5,620,000
2028	5,900,000
2029	6,195,000
2030*	6,505,000

*Stated Maturity

The Resolution requires that Sinking Fund Installments be provided on June 1 of each of the years set forth in the following tables sufficient to redeem the respective principal amounts of the 2010A Bonds maturing on June 1, 2040 set forth opposite such years:

Year	Principal Amount
2031	$6,830,000
2032	7,185,000
2033	7,565,000
2034	7,960,000
2035	8,380,000
2036	8,820,000
2037	9,280,000
2038	9,770,000
2039	10,280,000
2040*	10,820,000

*Stated Maturity

Amounts accumulated in the Debt Service Account with respect to any such Sinking Fund Amounts accumulated in the Debt Service Account with respect to any such Sinking Fund Installment (together with amounts accumulated therein with respect to interest on the 2010A Bonds for which such Sinking Fund Installment was established) may, prior to the 35th day preceding the due date of such Sinking Fund Installment, be applied to the purchase of such 2010A Bonds and credited against such Sinking Fund Installment. All such purchases shall be made at prices not exceeding the applicable sinking fund Redemption Price plus accrued interest.

In addition, if any 2010A Bonds maturing on June 1, 2030 or June 1, 2040 are purchased or redeemed from available moneys other than as described in the preceding paragraphs, such 2010A Bonds so purchased or redeemed may be credited against future Sinking Fund Installments for such 2010A Bonds as specified by the Authority.

2010B Bonds. The 2010B Bonds due June 1, 2030 and June 1, 2040 will be subject to redemption prior to maturity on June 1 of each of the years and in the respective principal amounts specified below from Sinking Fund Installments required to be accumulated in the Debt Service Account in the Debt Service Fund. Each such redemption of the 2010B Bonds shall be made at a Redemption Price equal to 100% of the principal amount thereof together with accrued interest to the redemption date.

The Resolution requires that Sinking Fund Installments be provided on June 1 of each of the years set forth in the following tables sufficient to redeem the respective principal amounts of the 2010B Bonds maturing on June 1, 2030 set forth opposite such years:

Year	Principal Amount
2021	$1,675,000
2022	1,790,000
2023	1,915,000
2024	2,050,000
2025	2,190,000
2026	2,340,000
2027	2,505,000
2028	2,675,000
2029	2,865,000
2030*	3,060,000

*Stated Maturity

The Resolution requires that Sinking Fund Installments be provided on June 1 of each of the years set forth in the following tables sufficient to redeem the respective principal amounts of the 2010B Bonds maturing on June 1, 2040 set forth opposite such years:

Year	Principal Amount
2031	$3,275,000
2032	3,510,000
2033	3,760,000
2034	4,030,000
2035	4,315,000
2036	4,625,000
2037	4,955,000
2038	5,310,000
2039	5,690,000
2040*	6,095,000

*Stated Maturity

Amounts accumulated in the Debt Service Account with respect to any such Sinking Fund Installment (together with amounts accumulated therein with respect to interest on the 2010B Bonds for which such Sinking Fund Installment was established) may, prior to the 35th day preceding the due date of such Sinking Fund Installment, be applied to the purchase of such 2010B Bonds and credited against such Sinking Fund Installment. All such purchases shall be made at prices not exceeding the applicable sinking fund Redemption Price plus accrued interest.

In addition, if any 2010B Bonds maturing on June 1, 2030 or June 1, 2040 are purchased or redeemed from available moneys other than as described in the preceding paragraphs, such 2010B Bonds so purchased or redeemed may be credited against future Sinking Fund Installments for such 2010B Bonds as specified by the Authority.

Notice of Redemption; Conditional Notice; Purchase in Lieu of Redemption

At least 30 days before the redemption of 2010 Bonds, the Bond Trustee will mail to the registered owners of such 2010 Bonds notice of the redemption of such 2010 Bonds to their last addresses, if any, appearing upon the registry books kept by the Bond Registrar. Failure of the registered

owner of any 2010 Bond that is to be redeemed to receive any such notice shall not affect the sufficiency or validity of the proceedings for the redemption of such 2010 Bond. The notice will also state that on the redemption date there will become due and payable upon each 2010 Bond to be redeemed the redemption price thereof, or the redemption price of the specified portions of the principal thereof in the case of 2010 Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon will cease to accrue and be payable.

In addition, any notice of redemption (other than a redemption from mandatory Sinking Fund Installments) may provide that the redemption of the 2010 Bonds to be redeemed is conditioned upon receipt by the Bond Trustee of moneys sufficient to pay the redemption price, plus accrued interest, on such 2010 Bonds, or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event and any conditional notice so given may be rescinded if any such other event occurs. Notice of such rescission, failure to fund the redemption price or satisfaction of such other condition shall be given by the Bond Trustee to affected holders of such 2010 Bonds as promptly as practicable upon the failure of such condition or the occurrence of such other event, in the same manner as the conditional notice of redemption was given.

Any 2010 Bonds subject to optional redemption also are subject to optional call for purchase and resale by the Authority at the same times and at the same prices as are applicable to the optional redemption of such 2010 Bonds and upon giving the same notices that are required in connection with optional redemption, which notices may be conditional and may be rescinded as with calls for redemption.

See "Book-Entry System" below. While DTC or its nominee is the registered owner of the 2010 Bonds, notice of redemption or of purchase in lieu of redemption or of any satisfaction of a conditional notice will be given to DTC or its nominee or its successor and neither the Authority nor the Bond Trustee shall be responsible for mailing such notices to Direct Participants, to Indirect Participants or to the Beneficial Owners of the 2010 Bonds. Any failure of DTC or its nominee or its successor, of a Direct Participant or Indirect Participant, or of any other intermediary, to notify a Beneficial Owner of a 2010 Bond of any redemption, purchase in lieu of redemption or rescission or satisfaction of any conditional notice of redemption will not affect the sufficiency or the validity of the redemption, purchase in lieu of redemption or rescission or satisfaction of conditional notice of redemption of such 2010 Bond. The Authority can give no assurance that DTC or its successor, the Direct Participants or the Indirect Participants, or any other intermediary, will distribute such notices to the Beneficial Owners of the 2010 Bonds, or that they will do so on a timely basis.

Selection of Bonds to be Redeemed

For so long as a book-entry only system is in effect with respect to a series of the 2010 Bonds and DTC or a successor securities depository is the sole registered owner of such 2010 Bonds, in the event of a redemption of less than all of the 2010 Bonds of such series of a maturity, the particular ownership interests of such 2010 Bonds of such series and maturity to be redeemed will be determined by DTC and Direct Participants and Indirect Participants (all as defined in "Book-Entry System" below), or by any such successor securities depository or any other intermediary, in accordance with their respective operating rules and procedures. In the event of a partial redemption of 2010A Bonds, DTC's rules and procedures currently provide for the redemption to be processed by random lottery. The Underwriters have advised the Authority that the 2010B Bonds will be made eligible for partial redemptions to be treated by DTC, in accordance with its rules and procedures, as a "pro-rata pass-through distribution of principal," and partial redemptions are expected to be processed by DTC on a pro-rata pass-through distribution of principal basis in accordance with such rules and procedures. In the event of a partial redemption of 2010B Bonds, the security position at DTC will not be reduced but the balance will be

subject to adjustment by a factor to be provided to DTC by the Paying Agent. If, at the time of a partial redemption of 2010B Bonds, the Paying Agent fails to identify the 2010B Bonds being redeemed as being subject to a pro-rata pass-through distribution of principal and/or fails to furnish such factor to DTC, such redemption may be processed by random lottery pursuant to DTC's rules and procedures. The Authority provides no assurance that DTC and any Direct Participant and Indirect Participant, or any successor securities depository or other intermediary, will make any such determination by lot in the case of a principal redemption of 2010A Bonds, or will make such determination on a pro rata basis or effectuate a pro-rata pass-through distribution of principal in the case of a partial redemption of 2010B Bonds, or that the Paying Agent will identify the 2010B Bonds and provide an appropriate factor as described above in the case of a partial redemption of 2010B Bonds, and in each case any failure to do so shall not affect the sufficiency or the validity of the related redemption of 2010 Bonds.

Book-Entry System

The following information in this section concerning DTC and DTC's book-entry system has been obtained from DTC. The Authority takes no responsibility for the accuracy of this information.

The Depository Trust Company ("*DTC*"), New York, NY, will act as securities depository for the 2010 Bonds. The 2010 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the 2010 Bonds of each Series bearing interest at the same interest rate and assigned a single CUSIP identification number, each in the aggregate principal amount of such maturity of such Series, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations.

DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC 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 the 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*"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the 2010 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2010 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2008 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 2010 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 2010 Bonds, except in the event that use of the book-entry system for the 2010 Bonds is discontinued.

To facilitate subsequent transfers, all 2010 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 2010 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2010 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2010 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants 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 2010 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2010 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of 2010 Bonds may wish to ascertain that the nominee holding the 2010 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 Bond Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2010 Bonds within an issue 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 2010 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 Authority 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 2010 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and principal payments on the 2010 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 detailed information from the Authority or Bond 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 securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such DTC Participant and not of DTC (nor its nominee), the Bond Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Bond 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 2010 Bonds at any time by giving reasonable notice to the Authority or the Bond Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, certificates for the 2010 Bonds are required to be printed and delivered.

The Authority may decide, subject to DTC policies and procedures, to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates for the 2010 Bonds will be printed and delivered to DTC.

Transfer and Exchange

So long as the book-entry system is in effect, Beneficial Owners may transfer their interests in the 2010 Bonds through the book-entry system. In the event of a discontinuance of the book-entry system, the 2010 Bonds may be transferred or exchanged only upon the registration books of the Bond Registrar, subject to the restrictions described below.

The Authority and the Bond Registrar are not required to transfer or exchange any 2010 Bonds (i) during the period from and including any Regular Record Date, to and including the next succeeding Interest Payment Date; (ii) during the period from and including the day 15 days prior to any special record date to and including the date of the proposed payment pertaining thereto; (iii) during the period from and including the day 15 days prior to the mailing of notice calling any 2010 Bonds for redemption or for purchase in lieu of redemption, to and including the date of such mailing; or (iv) at any time following the mailing of notice of redemption or of purchase in lieu of redemption of such 2010 Bonds. For every exchange or transfer of 2010 Bonds, the Authority or the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Pledge of the Resolution

The principal of, premium, if any, and interest on the Bonds, including the 2010 Bonds, are payable from and secured solely by a pledge of and security interest in (i) the Revenues and all rights to receive the same, and (ii) all Funds and Accounts (except any Construction Funds and Rebate Accounts) established by the Resolution, and each Construction Fund, but only with respect to the Bonds funding such Construction Fund, including the investment income, if any, thereof, subject only to the provisions of the Resolution permitting the application thereof for the purposes (including to pay Operating Expenses as described below) and on the terms and conditions set forth in the Resolution. See also "Appendix A – SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL BOND RESOLUTION – *Remedies*."

Neither the State nor any political subdivision thereof is obligated to pay the principal of, premium, if any, or interest on the Bonds, and the faith and credit of the State or any such political subdivision is not pledged to the payment of the principal of, premium, if any, or interest on the Bonds. The Resolution does not mortgage or grant a security interest in any physical properties of the System to secure the Bonds. The Authority has no taxing power.

All Revenues are required to be deposited promptly by the Authority to the credit of the Revenue Fund. From the Revenues first deposited in the Revenue Fund in each month, the Authority is required to (i) retain in the Revenue Fund an amount which, together with other amounts therein not set aside as a general reserve for Operating Expenses, is equal to the expected Operating Expenses for such month, and (ii) set aside in the Revenue Fund additional amounts as a general reserve for Operating Expenses, the amount of which reserve accumulated at any time may not exceed 20% of the amount included in the Annual Budget for Operating Expenses for the then current Fiscal Year.

The Authority shall transfer from the Revenue Fund (other than from any Rebate Accounts therein), to the extent available and subject to the provisions of the preceding paragraph relating to Operating Expenses, to the Bond Trustee or the Authority, as the case may be, for deposit in the following Funds and Accounts the amounts set forth below:

(1) to the Debt Service Fund, pro rata on the basis of the amounts required for credit to the Debt Service Account, the amount, if any, required so that the balance in said Account shall equal the amount required for the payment of (A) the Principal Installments and Redemption Price, if any, of and interest on Bonds, and (B) the amount, if any, required for the payment of any Parity Obligations;

(2) to the extent not expected by the Authority to be required to make deposits required by paragraph (1) above, to the Debt Service Fund, for credit to the Debt Service Reserve Account, the amount required to satisfy any deficiencies in the Debt Service Reserve Account;

(3) to the extent not expected by the Authority to be required to make deposits required by paragraph (1) or (2) above, to the Debt Service Fund, for credit to the Subordinated Indebtedness Account, the amount, if any, required so that the balance in said Account shall equal the sum of the amounts required for the payment of (A) principal or sinking fund installments, if any, of and premiums, if any, and interest on Subordinated Indebtedness, whether as a result of maturity or prior call for redemption, as required by the resolution, indenture or other instrument authorizing such Subordinated Indebtedness, and (B) any Subordinate Obligations;

(4) to the extent not expected by the Authority to be required to make deposits required by paragraph (1), (2) or (3) above, to the Rebate Accounts, if any, such respective amounts as may be required for the purposes thereof; and

(5) to the extent not expected by the Authority to be required to make deposits required by paragraph (1), (2), (3) or (4) above, to the General Reserve Fund, the amount, if any, determined to be transferred thereto.

Rate Covenant

Rates and Charges. The Authority will at all times, subject to the jurisdiction of any applicable regulatory authority, establish and use its best efforts to collect rates and charges for the use or the sale of the output, capacity or services of the System in each Fiscal Year which are reasonably expected to produce Revenues at least sufficient in each Fiscal Year, together with other available funds (including amounts on deposit in the Rate Stabilization Account), for the payment of (i) Operating Expenses during such Fiscal Year; (ii) the amount required to be paid during such Fiscal Year into the Debt Service Account, net of payments to the Authority under Qualified Hedge Agreements relating to the Bonds; (iii) the amount, if any, to be paid during such Fiscal Year into the Debt Service Reserve Account; (iv) the amount, if any, required to be paid during such Fiscal Year into the Subordinated Indebtedness Account, net of payments to the Authority under Qualified Hedge Agreements relating to Subordinated Indebtedness; (v) the amount, if any, required to be deposited during such Fiscal Year in the General

Reserve Fund; and (vi) the amount, if any, required to pay all other charges or liens whatsoever payable out of Revenues during such Fiscal Year.

Section 868 of the Act provides, in part, as follows: "The Board [of Directors of the Authority] shall establish and collect rates and other charges for the sale or use of water, water connections, power, electric energy or other services sold, furnished, or supplied by the [Authority] which fees and charges shall be reasonable and nondiscriminatory and sufficient to produce revenue adequate: (a) To pay all expenses necessary to the operation and maintenance of the properties and facilities of the [Authority]; (b) To pay the interest on and principal of all bonds issued under [the Act] when and as the same shall become due and payable; (c) To pay all sinking fund and/or reserve fund payments agreed to be made in respect of any such bonds, and payable out of such revenues, when and as the same shall become due and payable; and (d) To fulfill the terms of any agreements made with the holders of such bonds and/or with any person in their behalf. Out of the revenues which may be received in excess of those required for the purposes specified in subparagraphs (a), (b), (c) and (d) above, the Board shall establish a reasonable depreciation and emergency fund, and retire (by purchase and cancellation or redemption) bonds issued under [the Act], or apply the same to any corporate purpose. It is the intention of [the Act] that the rates and charges of the [Authority] shall not be in excess of what may be necessary to fulfill the obligations imposed upon it by [the Act]. Nothing herein shall be construed as depriving the State of its power to regulate and control fees and/or charges to be collected for the use of water, water connections, power, electric energy, or other services." In addition, the General Bond Resolution provides that nothing in the Resolution shall be construed as depriving the State of its power to regulate and control the fees and/or charges to be collected for the use of power, electric energy or other services of the System.

Reserve Funds

The Resolution establishes for the Debt Service Reserve Account, the Debt Service Reserve Requirement in an amount equal to maximum aggregate Debt Service, subject to certain maximums, assumptions and exclusions as described in "Appendix A – SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL BOND RESOLUTION – Certain Definitions – *Debt Service Reserve Requirement*." The Debt Service Reserve Account upon issuance of a Series of Bonds may be funded from Revenues over a 60-month period, commencing with the second month following the month in which new Bonds are issued.

Whenever the amounts on deposit in the Debt Service Reserve Account are less than the amounts required to be on deposit therein, the Authority is required to transfer amounts from the Revenue Fund, the Subordinated Indebtedness Fund or the General Reserve Fund, to the extent available, to the Bond Trustee for deposit into the Debt Service Reserve Account to the extent of such deficiency.

If, as of the date of valuation as of the end of each Fiscal Year pursuant to the Resolution or as of a date upon which there is a withdrawal from the Debt Service Reserve Account (other than earnings and profits withdrawn as permitted), the amounts on deposit in the Debt Service Reserve Account shall be less than the Debt Service Reserve Requirement, the deficiency is required to be funded from Revenues over a 60-month period,

In the event of the refunding of any Bonds, amounts accumulated in the Debt Service Reserve Account may be withdrawn to pay or provide for the payment of the principal or Redemption Price, if applicable, of and interest on the Bonds being refunded, provided that such withdrawal shall not be made unless (i) immediately thereafter the Bonds being refunded shall be deemed to have been paid pursuant to the Resolution and (ii) the amount remaining in the Debt Service Reserve Account after such withdrawal shall not be less than the Debt Service Reserve Requirement.

The Resolution also establishes a General Reserve Fund. The Authority is required to transfer from the General Reserve Fund moneys in the following amounts and in the following order of priority: (i) to the Revenue Fund, the amount determined to pay or provide reserves for the payment of Operating Expenses, (ii) to the Debt Service Account and the Debt Service Reserve Account, in that priority, the amount necessary to make up any deficiencies in payments required to be made to said Accounts, and (iii) to the Subordinated Indebtedness Account, the amount necessary to make up any deficiencies of payments required to be made to the Subordinated Indebtedness Account. Any amount on deposit in the General Reserve Fund on the first day of any month and not required to meet such a deficiency and not required to be applied to any other purpose may be transferred to the Revenue Fund.

Amounts in the General Reserve Fund not required to meet a deficiency as described in the preceding paragraph or otherwise for transfer to the Revenue Fund shall, upon determination of the Authority, be applied to or set aside for any one or more of the following: (i) payment into the Revenue Fund, any Construction Fund or any other Fund or Account; (ii) the purchase or redemption of any Bonds, and expenses in connection with the purchase or redemption of any Bonds, or any reserves which the Authority determines shall be required for such purposes; (iii) the purchase or redemption of any Subordinated Indebtedness, and expenses in connection with the purchase or redemption of any Subordinated Indebtedness, or any reserves which the Authority determines shall be required for such purposes; (iv) payment of the cost of any additions to the System; (v) increases in working capital requirements; (vi) the deposit in the Rate Stabilization Account of the amount, if any, determined by the Authority to be credited to the Rate Stabilization Account; (vii) the deposit in a special account in the General Reserve Fund which may be created by the Authority for a termination or decommissioning reserve; and (viii) any other lawful purpose.

Issuance of Bonds

Pursuant to the Resolution, additional parity Bonds may be issued by the Authority for the purpose of providing funds for the payment of System Costs and to refund Outstanding Bonds or Outstanding Subordinated Indebtedness. Except as indicated in the next succeeding paragraph, additional parity Bonds for such purposes may be issued, in addition to certain other requirements, upon delivery of a certificate of the Authority setting forth for any period of 12 consecutive calendar months within the 24 calendar months next preceding the date of the authentication and delivery of such Bonds (A) the Net Revenues for such period and (B) the Aggregate Debt Service during the period so selected with respect to all Bonds which were then Outstanding, and showing that the Net Revenues for such period plus amounts available for transfer to the Revenue Fund from the General Reserve Fund in each month during such period (other than amounts deposited into the General Reserve Fund from Revenues during such period) are at least equal to 1.0 times the Aggregate Debt Service for such period with respect to such Bonds which were then Outstanding. Refunded Bonds are required to be defeased in accordance with the Resolution.

The aggregate amount of Bonds that may be issued under the Resolution is not limited. The Act currently authorizes the Authority to issue bonds in an aggregate amount not to exceed $1,410,000,000 outstanding at any time. The Act provides that no bonds may be sold by the Authority at an interest cost, computed to maturity, which exceeds 15 % per year.

Subordinated Indebtedness

The Authority may issue Subordinated Indebtedness payable out of, and which may be secured by a pledge of and security interest in such amounts in the Subordinated Indebtedness Account or the General Reserve Fund as may from time to time be available, pursuant to the provisions of the Resolution, for the purpose of payment thereof; provided, however, that (i) such Subordinated

Indebtedness shall be issued only for one or more of the purposes for which the General Reserve Fund may be used other than required transfers to satisfy deficiencies as described in "Reserve Funds" above and (ii) any pledge of and security interest shall be subordinate in all respects to the pledge of and security interest on the Revenues, moneys, securities and Funds and Accounts created by the Resolution as security for the Bonds and Parity Obligations. The holders of Subordinated Indebtedness or any trustee or agent therefor may not accelerate the payment thereof upon the occurrence of any default or event of default unless and until no Bonds remain Outstanding or unless the effectiveness thereof occurs after no Bonds remain Outstanding. The holders of Subordinated Indebtedness or any trustee or agent therefor, and parties other than the Authority to other Subordinated Obligations, may not enforce any provision of the Resolution for their benefit unless and until no Bonds remain Outstanding, except by appropriate legal proceedings with respect to moneys that are available pursuant to the Resolution for the payment of such Subordinated Indebtedness and other Subordinated Obligations.

Reimbursement Obligations

The Authority may enter into agreements with the issuer of any Enhancement Facility providing for, among other things: (i) the payment of fees, costs, expenses and, to the extent permitted by law, indemnities to such issuer, its parent and its assignees and participants in connection with such Enhancement Facility, (ii) the terms and conditions of such Enhancement Facility and the Bonds or Subordinated Indebtedness to which the Enhancement Facility relates, and (iii) the security, if any, to be provided for such Enhancement Facility. Any such agreement may provide for the purchase of Bonds to which the Enhancement Facility relates by the issuer of such Enhancement Facility, with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions of any Bonds so purchased, as shall be specified by the Supplemental Resolution authorizing the issuance of such Bonds.

The Authority may, in an agreement with the issuer of any Enhancement Facility, agree to directly reimburse such issuer (or its assignees and participants, or any agent for the issuer or its assignees) for amounts paid by the issuer of the Enhancement Facility for the payment of the principal of, interest on, and Redemption Price or purchase price of Bonds under the terms of such Enhancement Facility (together with interest thereon, if any, and the amounts and obligations described in the next following two paragraphs, a "*Reimbursement Obligation*"), whether evidenced by an obligation to reimburse such issuer that is separate from the Authority's obligations on Bonds (a "*Credit Facility Reimbursement Obligation*") or by modified debt service obligations on Bonds acquired by such issuer (a "*Liquidity Facility Reimbursement Obligation*"). No Reimbursement Obligation shall be created, for purposes of the Resolution, until amounts are paid under the related Enhancement Facility.

Any Credit Facility Reimbursement Obligation may include interest calculated at a rate higher than the interest rate on the related Bonds. Payments pursuant to any advance, term loan or other principal amortization requirements in reimbursement of any such advance or term loan also shall constitute Credit Facility Reimbursement Obligations.

Any Liquidity Facility Reimbursement Obligation evidenced by Bonds of a Series may include interest calculated at a rate higher than the interest rate on other Bonds of such Series. Payments of differential and/or excess interest amounts also shall constitute Liquidity Facility Reimbursement Obligations.

Any Enhancement Facility also may provide for the payment of any fees, costs, expenses, indemnification or other obligations (but not including the obligations contemplated by the three preceding paragraphs) to any provider thereto, its parent and its assignees and participants or any agent therefor.

Any such Enhancement Facility shall be for the benefit of or secure only such Series of Bonds or portions thereof as shall be specified in the applicable Supplemental Resolution, and the related Credit Facility Reimbursement Obligations and Liquidity Facility Reimbursement Obligations shall constitute Parity Obligations or Subordinated Obligations to the extent (i) permitted by the definitions thereof and (ii) provided by such Enhancement Facility or Supplemental Resolution, and otherwise shall be further subordinated to both Parity Obligations and Subordinated Obligations, in each case unless and except to the extent constituting an Operating Expense.

For purposes of this Section, to the extent provided in a Supplemental Resolution, the term "*issuer*" of an Enhancement Facility for Bonds of a Series may include, in addition to the actual issuer or issuers thereof, any lender that is a party to, or is a participant in rights created under, such Enhancement Facility.

Rate Stabilization Account

The Authority's current rate stabilization policy, which is subject to change, provides that moneys and value of securities on deposit in the General Reserve Fund as of the last business day of each calendar year that are not required for (i) payments into the Revenue Fund, Debt Service Account, Debt Service Reserve Account, Subordinated Indebtedness Account, any Construction Fund or any other Fund or Account, (ii) the purchase or redemption of Bonds or Subordinated Indebtedness and expenses and reserves in connection therewith, (iii) costs of additions to the System, (iv) increases in working capital requirements, and (v) decommissioning reserves, and are in excess of the greater of (i) $150,000,000, or (ii) an amount equal to six months operating reserves as determined by the Authority, shall be credited to the Rate Stabilization Account in the General Reserve Fund, and that additional deposits may be made to the Rate Stabilization Account as determined by the Authority.

System; Separate Utility

The Authority's System includes the entire electric power and energy system of the Authority, including without limitation all property, facilities, rights and interests of whatever nature, and whether in existence or hereafter acquired, used or useful for the production, transmission, transformation and distribution of electric power and energy and for the general plant of the Authority allocable thereto, or otherwise related to such system. Notwithstanding the foregoing, such term does not include any property, facilities, rights or interests of the Authority which the Authority determines, prior to the acquisition of the same, shall not constitute part of the System for purposes of the Resolution, and indebtedness may be issued for such separate system in addition to Bonds and Subordinated Indebtedness but which shall not be payable from Revenues or secured by the Resolution.

Statutory Approvals

The Act requires that all bonds of the Authority be approved by the Attorney General of the State and registered by the State Auditor and Inspector. The Act also provides that all bonds so approved and registered and issued in accordance with the proceedings so approved shall be valid and binding obligations of the Authority and shall be incontestable for any cause from and after the time of such registration. The 2010 Bonds will be so approved and registered prior to their issuance.

In addition, the Authority's bonds are required to be approved by the Council of Bond Oversight of the State, pursuant to Title 62, Oklahoma Statutes 2001, Section 695.9. The Council has approved the issuance of the 2010 Bonds.

ESTIMATED DEBT SERVICE REQUIREMENTS

The annual debt service payments on the outstanding Bonds and the estimated debt service payments on the 2010 Bonds are set forth in the following table:

Annual Debt Service

Year Ended June 1	Debt Service on Outstanding Bonds	Debt Service on 2010A Bonds	Debt Service on 2010B Bonds	Total Debt Service
2011	$ 122,761,971	$ 3,978,440	$ 2,631,576	$ 129,371,988
2012	122,757,909	7,956,880	5,263,153	135,977,942
2013	122,761,634	7,956,880	5,263,153	135,981,667
2014	78,420,584	7,956,880	5,263,153	91,640,617
2015	44,307,049	11,391,880	6,533,153	62,232,082
2016	44,306,180	11,388,830	6,536,036	62,231,046
2017	44,310,205	11,392,780	6,535,860	62,238,845
2018	44,311,030	11,391,980	6,532,885	62,235,895
2019	44,306,280	11,390,380	6,535,130	62,231,790
2020	44,304,530	11,387,780	6,535,553	62,227,863
2021	44,309,543	11,388,980	6,533,580	62,232,103
2022	44,304,543	11,388,255	6,532,503	62,225,300
2023	44,305,793	11,392,550	6,533,456	62,231,798
2024	44,307,223	11,391,050	6,535,746	62,234,019
2025	44,304,973	11,388,050	6,533,681	62,226,704
2026	44,309,723	11,390,225	6,531,914	62,231,862
2027	44,307,723	11,392,725	6,534,752	62,235,200
2028	44,305,723	11,391,725	6,531,156	62,228,603
2029	44,304,810	11,391,725	6,535,778	62,232,313
2030	44,305,640	11,391,975	6,532,234	62,229,849
2031	44,304,970	11,391,725	6,535,176	62,231,871
2032	44,303,550	11,388,150	6,535,850	62,227,550
2033	44,306,890	11,390,938	6,534,709	62,232,537
2034		11,388,775	6,535,681	17,924,456
2035		11,390,875	6,532,335	17,923,210
2036		11,390,925	6,533,596	17,924,521
2037		11,387,875	6,532,678	17,920,553
2038		11,390,675	6,533,147	17,923,822
2039		11,387,750	6,533,217	17,920,967
2040		11,388,050	6,531,097	17,919,147
TOTAL[1]	$ 1,288,528,471	$ 323,995,708	$ 188,301,937	$ 1,800,826,116

[1] *Totals may not add due to rounding.*

THE AUTHORITY

Overview

The State created the Authority in 1935 as a conservation and reclamation district and declared it to be a governmental agency and body politic and corporate of the State. The district includes 24 counties located in the northeast part of the State. The Grand River is formed by the junction of the Neosho and Spring Rivers about ten miles southeast of the City of Miami in the northeastern corner of the State. The river flows southerly and southwesterly about 125 miles and empties into the Arkansas River. The Grand River lies entirely within Oklahoma but its drainage basin of about 12,500 square miles also extends over the states of Arkansas, Kansas and Missouri.

Pursuant to the Act, the Authority has the power to control, store, preserve and distribute the waters of the Grand River and its tributaries for any useful purpose (subject to the right of certain municipalities to take such quantities of water as may be needed by such municipalities), to develop and generate water power, electric power and electric energy within the boundaries of the Authority, and to buy, sell, resell, interchange and distribute electric power and energy. The Authority is also empowered to acquire property and construct, use and operate any and all facilities of any kind necessary or convenient to the exercise of its powers, rights, privileges and functions, to borrow money for its corporate purposes subject to statutory dollar limitations and to sue and be sued.

The validity of the Act, including the public purpose of the Authority and certain other matters relating to the establishment and operation of the Authority, has been upheld by the Supreme Court of the State. Sheldon v. Grand River Dam Authority *et al.*, 182 Okla. 24, 76 P.2d 355 (1938).

The Authority has been operating power facilities since the original construction of its Pensacola Plant in 1941. Although the Authority is permitted by the Act to engage in the retail sale of power within the boundary of MidAmerica Industrial Park near Pryor, Oklahoma, or within a two-mile radius of such boundary, where the Authority's retail customers are located, it has concentrated its activities on the generation, transmission and sale of power to municipal or other public authority consumers, electric cooperative consumers and certain large industrial consumers. Investor-owned utilities also have facilities and serve customers within the same areas as the Authority.

The Authority operates a two-unit Coal-Fired Generating Complex ("*CFC*"), consisting of GRDA 1, which is wholly-owned by the Authority, and GRDA 2, 62% of which is owned by the Authority and 38% of which is owned by KAMO Power ("*KAMO*"). The net generation capability of the Authority's ownership interest in the CFC is 812 MW. In 2008, the Authority acquired a thirty-six percent (36%) ownership interest in a 1,230 MW gas-fired, combined cycle power generation facility located near Luther, Oklahoma ("*Redbud*"), which is operated by Oklahoma Gas & Electric. The Authority can schedule up to its 36% ownership interest of the available power output of the facility. The Authority also owns and operates its hydroelectric Pensacola Project, Markham Ferry Project (Kerr Dam) and Salina Pumped Storage Project. The aggregate net generation capability of the System is approximately 1,728 MW. See "THE SYSTEM".

The rates charged by the Authority for the sale of electric power and energy are not currently regulated by any state or Federal authority. See "ELECTRICAL REVENUE BASE — Authority Rates". The Resolution and the Act impose rate covenants on the Authority, and the State has reserved the right to regulate rates subject to certain limitations. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Rate Covenant–*Rates and Charges*". For a description of proposals which could affect regulation of the Authority, see "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY".

The rate structure of the Authority provides for the recovery of fuel cost increases and the cost of purchased power through the Power Cost Adjustment ("*PCA*"). See "MANAGEMENT'S DISCUSSION OF HISTORICAL OPERATING RESULTS — Operating Revenues".

The principal office of the Authority is located at 226 W. Dwain Willis Avenue, Vinita, Oklahoma 74301-0409, telephone (918) 256-5545.

Board of Directors

The Authority is governed by a seven-member Board of Directors, consisting of three members appointed by the Governor of the State, one by the Speaker of the State House of Representatives, and one by the President Pro Tempore of the State Senate. One of the Governor's appointments shall represent the industrial and commercial customers, one shall represent economic development interests, lake enthusiasts and property owners, and the Governor's third appointment shall be an at-large member. In addition, the General Manager of the Oklahoma Association of Electric Cooperatives, or his designee, and Executive Director of the Municipal Electric Systems of Oklahoma, or his designee, shall be voting, *ex-officio* members.

Board members serve staggered, seven-year terms, with one position opening each year, to ensure continuity. Regularly scheduled Board meetings are on the second Wednesday of each month and open to the public. The current directors and information concerning their occupations are listed below.

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Board of Directors

Name, Position, Appointment	Business	Residence	Term Expires August 29
David J. Chernicky Chairman Appointed by Governor, representing industrial and commercial customers	Oil Exploration Executive	Tulsa, Oklahoma	2014
Stephen R. Spears Chairman - Elect Municipal Electric Systems of Oklahoma Executive Director designee	Municipal Management; Engineer	Cushing, Oklahoma	Ex-Officio
Dewey F. Bartlett, Jr. Director Appointed by President Pro Tempore of Senate	Mayor of City of Tulsa Oil & Gas Executive	Tulsa, Oklahoma	2017
Terry G. Frost Director Appointed by Governor, At-Large Member	Investments	Afton, Oklahoma	2013
Betty Kerns Director Appointed by Governor, representing economic development interests, lake enthusiasts and property owners	Investments	Stillwater, Oklahoma	2015
W. Brent LaGere Director Appointed by Speaker of House of Representatives	Insurance Executive	Chandler, Oklahoma	2016
Chris Meyers Director Oklahoma Association of Electric Cooperatives General Manager designee	General Manager, Oklahoma Association of Electric Cooperatives	Oklahoma City, Oklahoma	Ex-Officio

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Management

The principal officers of the Authority, with information concerning their backgrounds and experience, are listed below.

Principal Officers

Name	Title	Energy Sector Experience
Kevin A. Easley	Chief Executive Officer and Director of Investments	22 Years
Michael S. Kiefner	Chief Operating Officer	22 Years
Carolyn Vowell Dougherty	Chief Financial Officer/Treasurer	24 Years
Gretchen Zumwalt-Smith	General Counsel	7 Years
Donna M. Jones	Corporate Secretary	30 Years
Charles J. Barney	Assistant General Manager of Thermal Generation	34 Years
William M. Herron	Assistant General Manager of Engineering, Systems Operations and Reliability	36 Years
Dale Willis	Assistant General Manager of Transmission	32 Years

Kevin A. Easley is Chief Executive Officer and Director of Investments. Mr. Easley, who joined the Authority in 2004, received degrees in accounting and business management from the University of Tulsa and a Masters of Business Administration from Oklahoma Christian University. He served 20 years in the Oklahoma Legislature, having authored some of the most progressive energy legislation in the country. He is the former Chair of the Oklahoma Senate Energy, Environment and Natural Resources Committee. Prior to joining the Authority, he served as an executive with Samson Resources, Oklahoma's largest independent energy firm. In 2005, Mr. Easley was appointed to the Board of Directors of Southwest Power Pool and the American Public Power Association.

Michael S. Kiefner is Chief Operating Officer. Mr. Kiefner, who joined the Authority in 2004, holds a Juris Doctorate from Oklahoma City University. He previously served as Staff Attorney to the Energy Committee of the Oklahoma State Senate, was the General Counsel to a large Oklahoma-based financial institution, and maintained a private practice specializing in oil and gas matters.

Carolyn Vowell Dougherty is Chief Financial Officer/Treasurer. Ms. Vowell Dougherty, who joined the Authority in 1986, is a Certified Public Accountant and received a Bachelor of Science from Oklahoma State University. She was a Senior Emerging Business Consultant with Deloitte, Haskins and Sells for three years. She served eighteen years as special projects director for the Authority's General Manager before being named Assistant General Manager of Market Analysis and Strategic Development in 2004 and to her current position in 2005.

Gretchen Zumwalt-Smith is General Counsel. Ms. Zumwalt-Smith, who joined the Authority in 2005, received a Juris Doctorate from the University of Oklahoma. Prior to joining the Authority, she served ten years as Assistant Attorney General for the State and was in private practice for ten years, concentrating in the areas of securities and commercial litigation.

Donna M. Jones is Corporate Secretary. Ms. Jones, who joined the Authority in 1980, has a degree in Business Management and Administration from Rogers State University. She has served as secretary to the General Counsel and presently serves as personal secretary to the Chief Executive Officer.

Charles J. Barney is Assistant General Manager of Thermal Generation. Mr. Barney, who joined the Authority in 1988, is a Registered Professional Engineer in the State and received a Master of Science in Mechanical Engineering from the University of Arizona. Before joining the Authority, Mr. Barney served as a power plant design engineer and power plant superintendent.

William M. Herron is Assistant General Manager of Engineering, System Operations and Reliability. Mr. Herron has a Bachelor of Science in Electrical Engineering from the University of Missouri (Rolla). A Registered Professional Engineer who joined the Authority in 2004, Mr. Herron has thirty-six years of experience in the electric utility industry, as a municipal electric superintendent and consulting engineer.

Dale Willis is Assistant General Manager of Transmission and Engineering. Mr. Willis, who joined the Authority in 1978, has over three decades of experience in power transmission.

Workforce

The Authority maintains a workforce of approximately 479 personnel full time-equivalents at its plants and offices system-wide. Employees are hired under guidelines established by the Oklahoma Office of Personnel Management. Employees have access to a trades apprentice program in conjunction with the U.S. Department of Labor. Although the Authority does not recognize union membership, employees have direct input to management through a communications committee representing all Authority departments.

Historical Operating Results

The following tables set forth a summary of the historical operating results and debt service coverages of the Authority for the eight months ended August 31, 2009 and 2010 and the years 2005 through 2009 and selected fund balances as of August 31, 2010. Appendix B hereto contains the audited financial statements of the Authority for the fiscal years ended December 31, 2009 and 2008.

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HISTORICAL OPERATING RESULTS[1]

	Eight Months Ended August 31,		Year Ended December 31,				
	2010[†]	2009[†]	2009[*2]	2008[*]	2007[*]	2006[*]	2005[*]
Operating Revenues:							
Municipal Power Sales	$ 93,762,869	$ 79,391,439	$ 114,935,982	$ 116,375,670	$ 118,279,132	$ 116,614,608	$ 116,869,309
Electric Cooperative Power Sales	23,232,388	19,063,882	27,277,647	27,137,644	26,249,680	26,144,914	23,228,031
Industrial Power Sales	25,878,272	18,606,347	28,749,878	26,975,259	25,960,433	24,997,953	22,748,028
Off System Power Sales — Firm	48,131,860	40,690,370	58,550,704	55,231,023	55,023,861	55,890,706	60,021,769
Off System Power Sales — Spot	28,342,434	28,938,546	50,460,911	52,485,735	30,044,533	4,136,057	17,377,449
Other Power Sales[3]	4,352,135	4,890,632	7,618,971	6,836,940	5,851,260	6,207,254	5,156,961
Collection of Power Cost Adjustment	15,694,003	25,501,476	37,386,943	28,899,006	35,490,190	37,015,594	13,009,632
Gross Power Sales	$ 239,393,961	$ 217,082,692	$ 324,981,036	$ 313,941,277	$ 296,899,089	$ 271,007,086	$ 258,411,179
(Over) under recovered fuel costs	12,411,973	(10,676,402)	(15,302,733)				
Other Operating Revenues	5,578,953	5,543,473	7,990,674	7,118,751	10,004,225	11,099,095	9,437,297
Total Operating Revenues	$ 257,384,887	$ 211,949,763	$ 317,668,977	$ 321,060,028	$ 306,903,314	$ 282,106,181	$ 267,848,476
Operating Expenses:							
Fuel-CFC	$ 56,999,323	$ 62,703,259	$ 94,585,202	$ 90,710,012	$ 75,652,926	$ 65,511,590	$ 61,999,460
Fuel-Redbud	43,227,010	22,622,785	36,371,265	7,630,938	0	0	0
Purchased Power	7,104,392	5,146,761	7,589,678	30,339,495	28,974,960	57,142,790	47,980,861
Electric Production (excluding fuel)							
Coal Fired Plant Unit 1	12,922,251	7,053,155	9,449,964	9,298,720	7,644,108	7,287,067	6,161,577
Coal Fired Plant Unit 2[4]	4,387,113	4,876,057	9,892,892	8,469,455	7,469,825	12,245,698	6,658,493
Redbud Plant[5]	5,353,173	4,273,015	6,181,134	953,885	0	0	0
Pensacola Hydro	1,472,823	1,432,048	2,194,251	1,860,031	2,088,470	2,215,249	2,046,158
Markham Ferry Hydro	2,060,949	2,254,002	4,615,125	2,703,126	2,696,171	1,976,514	1,774,782
Salina Pumped Storage	695,198	698,166	1,059,582	1,324,402	1,384,996	1,655,353	2,242,794
Lake Patrol	803,760	853,004	1,243,003	1,141,746	990,404	1,030,785	981,480
Transmission	11,370,433	12,001,616	21,081,675	17,492,282	18,577,313	15,554,392	13,745,455
Administrative & General	15,640,184	14,317,188	19,745,002	20,185,919	15,700,876	16,544,856	20,389,494
Water Production	611,249	528,446	749,430	928,479	518,685	533,723	462,848
Total Operating Expenses	$ 162,647,858	$ 138,759,502	$ 214,758,203	$ 193,038,490	$ 161,698,734	$ 181,698,017	164,443,402
Net Operating Revenues	$ 94,737,029	$ 73,190,261	$ 102,910,774	$ 128,021,538	$ 145,204,580	$ 100,408,164	103,405,074
Other Income[6]	9,559,112	10,182,229	17,588,591	14,929,690	19,691,690	11,464,743	10,971,748
Net Revenues Available for Debt Service	$ 104,296,141	$ 83,372,490	$ 120,499,365	$ 142,951,228	$ 164,896,270	$ 111,872,907	$ 114,376,822
Other Available Funds[7]	15,874,058	9,000,000	22,000,000	28,104,674	0	0	0
Total Funds Available for Debt Service	$ 120,170,199	$ 92,372,490	$ 142,499,365	$ 171,055,902	$ 164,896,270	$ 111,872,907	114,376,822
Debt Service	89,673,851	86,826,115	133,726,236	102,645,122	95,429,572	95,480,729	95,491,484
Available for Capital Improvements or Other Authorized Purposes	$ 30,496,348	$ 5,546,375	$ 8,773,129	$ 68,410,780	$ 69,466,698	$ 16,392,178	$ 18,885,338
Debt Service Coverage Including PCA[8]	1.34	1.06	1.07	1.67	1.73	1.17	1.20

[Footnotes to Historical Operating Results appear on following page.]

FOOTNOTES TO HISTORICAL OPERATING RESULTS

† Amounts for eight months ended August 31, 2010 and 2009 were derived from the Authority's general ledger and/or accounting systems.

* Amounts for year ended December 31, 2009, 2008, 2007, 2006 and 2005 were derived from the respective Comprehensive Annual Financial Reports.

[1] Excludes interdepartmental sales and expenses. Also excludes depreciation, which is not included in Operating Expenses, as defined in the Resolution, and does not require a cash outlay.

[2] Per General Bond Resolution (GBR) 4800 and 5107, the Authority shall establish and collect rates, which together with other available funds, will be sufficient to make all payments pertaining to debt service, operating expenses and any other charges against the Authority. The Debt Service Coverage calculations for the years 2005 through 2008 were calculated under Resolution 4800. Starting with calendar year 2009, the Debt Service Coverage is calculated under the new Bond Resolution 5107 which became effective July 2009.

[3] Includes GRDA 2 output sales to Oklahoma Municipal Power Authority. Oklahoma Municipal Power Authority's portion includes its share of Authority debt service relating to GRDA 2 and common facilities, fuel costs, fixed and variable operating expenses and administrative and general expenses.

[4] Reflects the Authority's 62% undivided ownership of GRDA 2.

[5] Reflects the Authority's 36% undivided ownership of Redbud combined-cycle natural gas fired plant near Luther, Oklahoma.

[6] Consists primarily of interest income. Excludes amortization of forward investment contract receipts of $1,201,740, $1,198,457, $1,198,457, and $1,124,604 in 2008, 2007, 2006, and 2005, respectively, under GBR 4800. Also excludes change in fair value on investments of $2,052,953, ($1,324,137), ($2,012,928), $3,287,302, $2,840,957, ($171,278), and ($1,967,210) for the eight months ended August 31, 2010 and 2009, respectively, and for the years ended December 31, 2009, 2008, 2007, 2006, and 2005, respectively, interest income restricted for construction of $13,610, $146,363, $233,409, and $284,776 in 2008, 2007, 2006, and 2005, respectively, interest income restricted for special purposes of $2,986, $4,392, $5,957, $7,860, $13,102, $14,802, and $6,973 for the eight months ended August 31, 2010 and 2009, respectively, and for the years ended December 31, 2009, 2008, 2007, 2006, and 2005, respectively, and allowance for funds used during construction of $2,051,488, $1,180,492, $2,018,999, $1,924,635, $860,403, and $224,732 for the eight months ended August 31, 2010 and 2009, respectively, and for the years ended December 31, 2009, 2008, 2007, and 2006, respectively.

[7] In 2010 and 2009, Other Available Funds were from the Reserve & Contingency Fund (not required under GBR 5107) utilized for bond principal payments and excess deposits in the Debt Service Reserve Fund. In 2008, Other Available Funds were from excess funds from 1982 Construction Funds utilized for bond principal payments.

[8] Total Funds Available for Debt Service divided by Debt Service.

SOURCE: *The Authority*

Selected fund balances as of August 31, 2010 are set forth below:

Selected Cash and Investment Fund Balances
As of August 31, 2010

	Total
Restricted	
Debt Service Reserve Account	$139,076,016
Construction Fund	113,448,353
Debt Service Account	30,055,071
Board-Designated	
In the General Reserve Fund:	
Supplemental Reserve for Unforeseen Risks	$ 15,000,000
Supplemental Reserve for Environmental Costs	15,000,000
Other Special Purposes	
In the General Reserve Fund:	
Pensacola Fish & Wildlife Mitigation[1]	$ 487,989
The Nature Conservancy Fund[2]	24,663
Unrestricted[3]	
Revenue Fund and General Reserve Fund	$ 67,910,369

[1] Required by Pensacola Dam operating license.
[2] Required by Pensacola Dam operating license to be funded to $27,000 by each January 1 to provide assistance to Nature Conservancy for certain endangered species.
[3] See also, "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Rate Stabilization Account".
SOURCE: *The Authority*

Historical information regarding the Authority's energy requirements and resources, contract peak demand and resources, and sales by customer group for the years 2005 through 2009 follows:

Historical Energy Requirements and Resources (MWh)

			Resources						
Year	Total Sales	Sales plus Losses[1]	Run-of-River Hydro Generation	Pumped-Storage Hydro Generation	Combined Cycle Gas Generation	Steam Generation	Purchased Power[2]	Municipal SWPA Allocations[3]	Total
2005	6,701,330	7,187,973	687,192	276,189	0	5,361,969	828,723	33,900	7,187,973
2006	6,098,027	6,551,712	140,975	199,626	0	5,029,856	1,163,942	17,313	6,551,712
2007	6,674,739	7,269,204	808,193	267,255	0	5,630,573	527,821	35,362	7,269,204
2008	7,047,353	7,666,513	1,140,029	279,154	239,073	5,612,618	343,244	52,395	7,666,513
2009	7,728,133	8,228,549	1,069,449	170,326	1,322,444	5,493,609	128,920	43,801	8,228,549
2010[4]	7,811,910	8,431,591	1,136,680	235,297	1,695,201	5,121,199	199,400	43,814	8,431,591

[1] Sales plus losses, pumping and interdepartmental use.
[2] Includes replacement energy plus net energy from banking arrangements.
[3] The Authority is scheduling agent for Skiatook and Coffeyville allocation of SPA (Southwestern Power Administration) hydro power.
[4] For twelve months ended August 31, 2010
SOURCE: *The Authority*

Historical Contract Peak Demand and Resources (MW)

	Contract Demand Requirements			Rated Capability of Resources						
Year	Contract Peak Demand	Required Capacity Margin[1]	Contract Demand plus Required Margin	Run-of-River Hydro Generation[2]	Pumped-Storage Hydro Generation[3]	Combined Cycle Gas Generation[4]	Steam Generation[5]	Purchased Power[6]	Municipal's SPA Allocation[7]	Total Resources
2005	1,210	145	1,355	234	260	0	812	0	13	1,319
2006	1,085	130	1,215	234	260	0	812	0	13	1,319
2007	1,115	134	1,249	234	260	0	812	206	13	1,525
2008	1,130	136	1,266	240	260	0	812	228	13	1,553
2009	1,116	134	1,250	243	260	443	812	78	13	1,849
2010[8]	1,218	146	1,364	213	260	443	812	78	13	1,819

[1] Minimum Required Capacity Margin shall be twelve percent per SPP Criteria 2.1.9.

[2] The total of Pensacola and Markham Ferry capability and reflects increased capability as provided by units upgraded. In 2010 the Authority was notified to operate within limits of FERC license.

[3] The Salina Pumped Storage capacity in the amount of 260 MW is limited up to 25% daily plant factor operation and therefore suitable for peaking operations only.

[4] Includes the Authority's 36% ownership interest in the 1230 MW Redbud combined-cycle natural gas fired plant near Luther, Oklahoma purchased October 1, 2008. Actual capability is dependent on weather temperature and is reported as 457 Winter(Jan-May and Oct-Dec) and 430 Summer (Jun-Sep).

[5] Includes the Authority's 62% ownership interest in GRDA 2 520 MW, which was placed in commercial operation April 1, 1986.

[6] Includes 56.2 MW capacity contract with City of Coffeyville, KS beginning August 1, 2007, and 21.45 capacity contract with Cushing Municipal Authority beginning October 1, 2007. Also includes 150 MW capacity and energy purchase from Westar in 2007 and 2008 for output from Redbud plant prior to the Authority's acquisition of its interest in Redbud.

[7] The Authority is the scheduling agent for Skiatook's and Coffeyville's allocation of SPA (Southwestern Power Administration) hydro power.

[8] For twelve months ended August 31, 2010.

SOURCE: The Authority

Historical Sales by Customer Group (MWh)

Year	Cooperative	Municipal	Industrial	Other[1]	Off System Firm	Total Contract Sales	Off System Spot	Total Sales
2005	555,078	3,140,142	638,268	155,001	1,866,390	6,354,879	346,451	6,701,330
2006	583,181	2,990,548	650,148	141,144	1,642,752	6,007,773	90,254	6,098,027
2007	587,543	3,068,267	668,840	176,206	1,625,919	6,126,775	547,964	6,674,739
2008	605,556	3,047,991	686,806	181,709	1,660,683	6,182,745	864,608	7,047,353
2009	607,723	3,000,980	616,543	160,818	1,730,040	6,116,104	1,612,029	7,728,133
2010[2]	660,148	3,134,289	717,546	157,415	1,803,720	6,473,118	1,338,792	7,811,910

[1] GRDA 2 Output Power Sales to Oklahoma Municipal Power Authority. (See, "ELECTRICAL REVENUE BASE – Oklahoma Municipal Authority" herein.)

[2] For twelve months ended August 31, 2010.

SOURCE: *The Authority*

In 2009 and 2008, the Authority had two customers that each accounted for more than 9% of the Authority's Operating Revenues for those years. Sales to the City of Coffeyville, Kansas, totaled $31.1 million and $29.7 million for the years 2009 and 2008, respectively, and sales to Northeast Oklahoma Electric Cooperative, Inc. ("*NEO*") totaled $31.1 million and $30.1 million of the years 2009 and 2008, respectively.

MANAGEMENT'S DISCUSSION OF FINANCIAL HIGHLIGHTS

Financial Highlights – December 31, 2009, 2008 and 2007

	2009	2008	2007
CONDENSED SCHEDULE OF NET ASSETS			
Assets:			
Current assets	$ 320,324,339	$ 443,547,555	$ 238,279,411
Net utility plant	778,489,258	730,162,939	413,627,666
Restricted investments	244,179,432	206,646,566	120,151,735
Other noncurrent assets	22,589,056	22,723,419	7,027,004
Total assets	1,365,582,085	1,403,080,479	779,085,816
Liabilities:			
Current liabilities	152,199,370	117,860,150	98,373,459
Noncurrent liabilities	859,841,618	952,157,405	430,618,300
Total liabilities	1,012,040,988	1,070,017,555	528,991,759
Net Assets:			
Invested in capital assets – net	154,704,963	178,061,740	72,505,255
Restricted for:			
Debt service	59,544,174	51,568,437	42,339,465
Other special purposes	394,469	407,705	336,863
Unrestricted	138,897,491	103,025,042	134,912,474
Total net assets	$ 353,541,097	$ 333,062,924	$ 250,094,057
CONDENSED SCHEDULE OF CHANGE IN NET ASSETS			
Operating Revenues:			
Sales of power	$ 309,678,303	$ 316,628,436	$ 278,464,783
Other operating revenues	7,990,674	7,118,751	10,004,225
Total operating revenues	317,668,977	323,747,187	288,469,008
Non-Operating Revenues:			
Interest Income	14,819,878	14,825,144	13,690,330
Net increase (decrease) in fair value of investments	(2,012,928)	3,287,302	2,840,957
FEMA grant revenues	-	1,680,009	8,115,724
Income from non-utility operations	4,793,766	1,572,381	103,960
Deferral of costs to be recovered from future revenues	1,341,601	1,262,100	1,066,691
Total non-operating revenues	18,942,317	22,626,936	25,817,662
Total revenues	336,611,294	346,374,123	314,286,670
Operating Expenses:			
Fuel	(130,956,467)	(98,340,950)	(75,652,926)
Depreciation	(48,595,784)	(32,644,506)	(26,270,163)
Operation	(28,885,899)	(21,574,439)	(19,529,286)
Maintenance	(27,581,156)	(22,597,687)	(21,840,687)
Administrative and general	(19,745,003)	(20,185,919)	(15,700,875)
Purchased power - net	(7,589,678)	(30,339,495)	(28,974,960)
Total operating expenses	(263,353,987)	(225,682,996)	(187,968,897)
Non-Operating Expenses:			
Interest expense	(52,111,791)	(36,859,464)	(34,169,063)
Amortization of cost to be recovered from future revenues	-	-	-
Amortization of debt discount and expense	(2,383,970)	(1,896,048)	(1,828,796)
Amortization of bond premium	1,716,627	1,033,252	784,751
Total non-operating expenses	(52,779,134)	(37,722,260)	(35,213,108)
Total expenses	(316,133,121)	(263,405,256)	(223,182,005)
Net increase in net assets	$ 20,478,173	$ 82,968,867	$ 91,104,665

Net Assets

Net Assets increased by $20.5 million or by 6.2% in 2009. The 2009 increase was the lowest since 2004. The Authority's Board implemented rate actions in 2004 and 2006, and as a result, the Net Assets increased substantially in the following four years. In 2008, Net Assets increased by $82.9 million or by 33.2%, following a similar $91.1 million or 57% increase in 2007. Total Assets decreased by $37.5 million or by 2.7% in 2009, following an increase of $624.0 million or 80.1% in 2008. Net Utility Plant has continued to increase since 2006, following several years of declines. The substantial 2008 increases are directly related to utilization of the Authority's bond proceeds to purchase Redbud. The 2009 increase in Net Utility Plant reflects the utilization of additional 2008 bond proceeds on construction projects.

Current Assets decreased $123.2 million or 27.8% after increasing $205.3 million or 86.2% during 2008. During 2008, current cash and investments increased by a substantial $193.8 million while the combined total of current accounts receivable and under recovered fuel stock remained relatively the same as the previous year. Unspent proceeds deposited from the 2008 bond issue contributed to a $182.6 million increase in the current portion of investments restricted for construction. At the end of 2008, short-term, liquid deposits were paying yields comparable to long-term securities when the accounts were funded, so a significant portion of the construction deposits were short-term at year end. During 2009, the Authority spent over $90 million on construction projects, and had invested a portion of the construction fund deposits. Other significant shifts in Current Assets came from inventories. Fuel and materials and supplies increased by a combined total of $9.9 million in 2008. In 2009, materials and supplies alone increased by $9.5 million, primarily as transformers and other line and substation equipment with long order times were received and waited installation on the construction projects.

Restricted Investments increased by $86.5 million in 2008. The 2008 increases to the Debt Service Reserve and the reserve and contingency accounts are attributable to higher debt covenant requirements to correspond to increased maximum aggregate debt service after the 2008 bond issue. The 2008 increase in the construction account was attributable to debt proceeds invested in longer term investments. As more funds were moved from short-term liquid deposits to investments during 2009, the Restricted Investments also increased. Restricted Investments increased by $37.5 million or 18.2% in 2009. Other Noncurrent Assets include non-current receivables and remained consistent with the prior year.

Actions during September 2008 brought changes to many components of the Statements of Net Assets as $575.6 million in revenue bonds were issued to finance the purchase of the Redbud Power Plant and purchase investments to finance construction projects. Adding the debt from the 2008 bond issue almost doubled Total Liabilities to a total of $1.1 billion. Still in 2008, the contributing factor to the increase in Total Net Assets was again the repayment of long-term debt. In 2008, the Authority repaid debt of $68.8 million while Net Assets increased a total of $83.0 million. In 2009, the Authority repaid debt of $72.6 million, although Net Assets increased only $20.5 million. Current Liabilities in 2008 increased by $19.5 million or 19.8%, and increased $34.3 million or 29.1% in 2009. In 2008, Accounts payable and accrued liabilities accounted for $10.5 million of the increase and related primarily to increased construction activities. Accrued interest payable also increased primarily because of the revenue bonds issued in September 2008. The increases in 2009 were related to the current classification of the $18.9 million of taxable bonds maturing June 1, 2010, and to over-recovered fuel costs of $14.5 million.

Unrestricted Net Assets—the part of net assets used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal agreements—has fluctuated, but increased by only $4.0 million over the past two years. In contrast, Net Assets Invested in Capital Assets Net of Related Debt increased by $82.2 million over the same two year period. The primary drivers for the change were the sizable debt principal payments that were made, offset by annual depreciation provisions. Net Assets Restricted for Debt Service increased in proportion to the increasing

principal portion of sinking fund payments for repayment of long-term debt in both 2008 and 2009. From 2008 until 2014, the Authority will be making interest payments on the 2008 tax-exempt debt, the taxable debt having matured June 1, 2010. As a result, the annual debt requirements have increased, particularly in 2010.

Operating Results

Three of the Authority's recent priorities were to increase debt service coverage ratios, to obtain long-term contracts to replace the relatively short customer contracts containing numerous termination clauses, and to secure resources to cover the lack of sufficient generation to meet customers' load growth. The renewed relationships with customers and the new relationships with other Oklahoma utilities enabled the Authority to meet those objectives and to start 2009 with a renewed generation mixture. The Authority continued to work with customers to identify load requirements and maintain the reliable service they expect. The Authority's new generation mixture brought a change in how the generation is dispatched.

Although the run-of-river generation did not set new records, the 2008 and 2009 generation approached previous high generation levels, providing virtually free energy. Generation from Salina continued to exceed historic averages in 2008. However, with the purchase of Redbud, the role of the pumped-storage shifted more towards reliability and less for economic dispatching, as the Authority relied more on Redbud for peaking and intermediate needs.

In addition, the Coal-Fired Complex had no extended, major maintenance outages during 2007 and 2008, and as a result, Unit #2 set record generation in consecutive years. While no records were set during 2009, the thermal generation was still high. The Authority relies on thermal generation and gas generation to meet the customer's load needs no matter what season of the year. The availability of hydro, thermal, and gas generation benefits the Authority's customers. Historical purchases for the most part were to supplement generation during the routine Spring and Fall outages at the Coal-Fired Complex and across the peak summer load period. In 2009, however, purchased power decreased significantly throughout the year since the Authority had both adequate inflows for hydro generation as well as a reliable gas energy supply through Redbud operations. The availability of adequate generation along with a reliable transmission system and firm customer contracts drive the operating and financial results.

Operating Income

Operating Income decreased by $43.8 million, or by 44.7% in 2009, following a decrease of $2.4 million, or 2.4%, in 2008. Operating Revenues decreased by $6.1 million in 2009 in contrast to an increase of $35.2 million in 2008, and Operating Expenses increased by $37.7 million in both 2009 and 2008.

Fuel costs and depreciation remained the big expense drivers. Fuel costs accounted for $32.6 million of the current year increase in Operating Expenses and for $22.7 million of the increase in 2008. Increases in depreciation expense accounted for another $16.0 million in 2009 and another $6.4 million in 2008. Although operating and maintenance expenses increased with the addition of costs relating to the Redbud Power Plant, purchased power continued to show sizeable decreases. The $22.8 million decrease in 2009 represented a 75% decrease in purchased power costs.

Operating Revenues are combined with other Non-operating Revenues, primarily interest and investment income to pay the Authority's expenses. Revenues have consistently exceeded expenses since the implementation of the rate increases, although the difference was not as large in 2009. Sales of Power provide the majority of money to repay the Authority's debt and cover operating costs.

The Authority's rate structure is based on a cost-of-service approach of which debt service, fuel and purchased power, and other operating expenses are the principal components. During 2009, the Authority had intended to supplement the revenues collected with $35.4 million in "other available

funds", by utilizing excess Reserve and Contingency Funds to make debt principal payments. However, the Authority only used $22 million during 2009.

Operating Revenues

After setting new record highs in each of the past few years, Total Operating Revenues and Sales of Power both decreased by approximately 2% in 2009. The previous increases resulted largely from a combination of increasing MWh sales and rate increases implemented in 2004 and 2006. In 2009, contract sales leveled although spot sales increased. However, the spot sales prices, and corresponding margins, were relatively low during 2009. As a result, both Sales of Power and Total Operating Revenues decreased by $7.0 million and $6.1 million during 2009 respectively.

The Authority's electricity rate structure has three main components: a demand charge, an energy charge, and the PCA. The PCA recovers any corresponding increases in fuel or purchased power. The Authority's power cost adjustment mechanism with customers is calculated on a rolling 12-month basis and is normally revised twice a year. Sales of Power include any PCA surcharge as the "true up" adjustment passes through the cost of the generating fuel and purchased power.

The revenues also reflect an accrual of any over or under collected fuel cost. The Authority collected surcharges for the PCA of $37.5 million and $28.9 million during 2009 and 2008, respectively. Sales of Power included an accrual of $2.7 million of Under Recovered Fuel Costs during 2008 and a reduction of $15.3 million from Over Recovered Fuel Costs during 2009.

Even with the collection of fuel surcharges, the Authority's contract rates remain among the lowest in the region. The Authority's historic average contract prices compared to the Authority's average spot prices for any excess energy sold at market prices provides an indication of the competitiveness of the Authority's rates and the advantage that abundant hydro generation provides. The Authority's average rates remain approximately 4.5 cents per kWh. The average rates collected in 2009 were slightly higher than the average rates collected during 2008, primarily due to a increase in the PCA surcharge collected for higher anticipated fuel costs.

Operating Expenses

Operating Expenses increased by $37.7 million in both 2009 and 2008. Fuel and depreciation were the primary increases in operating expenses over the past two years. Coal and freight are the largest operating expenses at the Coal-Fired Complex. To help address difficulty in obtaining coal deliveries, the Authority entered into leases for additional rail cars and has continued to pursue improved coal deliveries and price protection. In 2009, the Authority purchased aluminum rail cars which will reduce the lease expenses in future years. The rising cost of coal and freight has increased the average cost of fuel burned. Fuel costs increased $22.7 million during 2008 and were attributable to both rising coal and transportation costs as well as the increase in thermal MWhs generated. Fuel costs also increased by $32.6 million in 2009 as a result of both an increase in the delivered price of coal as well as a full year of gas consumption for Redbud. In addition, fuel expenses included $36.3 million and $7.6 million of gas burned at Redbud during 2009 and 2008 respectively.

Maintenance costs during 2008 remained relatively consistent with the prior year while operating costs increased by $2.1 million. The addition of Redbud in the fourth quarter of 2008 increased maintenance, operations and administrative and general costs approximately $500 thousand each. Other increases to administrative and general costs related to the settlement of flooding claims, insurance deductibles, employee insurance premiums and post-retirement benefit increases. Redbud was in operation for the full year in 2009. The acquisition of Redbud in late 2008 was the primary reason for the $16.0 million increase in depreciation, $7.3 million increase in operations, and the $5.0 million increase in maintenance during 2009.

Capital Assets

As part of the commitment to customers to maintain reliability of service, the Authority also made a priority of rebuilding and maintaining generation and transmission assets. After several years of decreases to Net Utility Plant because annual depreciation expense exceeded capital additions, the trend began reversing in 2006. The purchase of Redbud had a significant impact on Net Utility Plant in 2008. Prior to the purchase of the combined-cycle plant, the Authority was purchasing capacity and energy from the plant. Additions to Net Utility Plant of $346.0 million substantially exceeded depreciation of $32.7 million in 2008. Redbud accounted for a net increase of over $300 million.

The majority of Net Utility Plant consists of an economical mixture of hydroelectric and thermal generation resources which now also includes natural gas generation resources and a transmission system for the delivery of power and energy.

The major capital asset additions in 2008 included most notably the purchase of a 36% interest in Redbud. In 2009, the upgrades to the Kerr Dam were the most significant capital additions. FERC, in 2006, issued a new 30-year license to the Authority to operate the Markham Ferry Project, which includes the Robert S. Kerr Dam and Lake Hudson. In 2007, the Authority began a multi-year upgrade of Kerr Dam's four turbine-generators. The total project is anticipated to cost over $70 million and work on the units will be staggered through 2012. Other major additions over the past few years related to the purchase of aluminum rail cars and upgrades to the transmission system. Lines and substations are being added in order to handle the loads of new and growing customers.

Restricted Assets

The Authority's bond resolutions require reserve funds be set aside. The previous General Bond Resolution No. 4800 required the Debt Service Reserve Account be equal to the "Maximum Aggregate Bond Service" and the Reserve and Contingency Fund be equal to 25% of that same amount. During 2007, the restricted amount of $120,151,735 included $96,121,388 in the Debt Service Reserve Account and $24,030,347 in the Reserve and Contingency Fund, which were the required amounts to be set aside to comply with the bond covenant. After the September 2008 bond issue, the maximum aggregate debt service increased to include the debt service on the 2008 bonds. As a result, the Debt Service Reserve Account increased by $45.4 million to $141,560,060, and the Reserve and Contingency Fund increased by $11.4 million to $35,390,015. A new General Bond Resolution 5107 became effective in July 2009. Under the new bond resolution, the Debt Service Reserve Account still has a minimum balance equal to the "Maximum Aggregate Bond Service." The amount is calculated on accrued principal and interest requirements. Additionally, the Reserve and Contingency Fund is no longer required by the new General Bond Resolution. As a result, the Authority utilized $22 million of the $35.4 million in the former Reserve and Contingency Fund for principal payments during 2009. The expectation is to use the remaining $13.4 million for future principal payments. Excess debt service reserve funds will also be used to make future principal payments. Any excess Debt Service Reserve Account and Reserve and Contingency Fund balances are reflected as restricted assets because bond proceeds were used to initially fund the accounts, and carry associated restrictions on how the funds can be used.

Additional amounts are restricted for the bond service sinking fund payments made to the trustee for annual principal and semiannual interest payments. Sinking fund payments were a requirement of the previous General Bond Resolution No. 4800. The Authority has continued to make sinking fund payments to the trustee to better manage cash flows although the new General Bond Resolution 5107 does not require that amounts be set aside monthly.

In 2007, the amounts reflected as restricted for construction related to two different construction accounts. At the end of 2007, $2.1 million remained in the account 2002B Construction Funds. The 2002B Construction Funds were utilized for capital additions until the balance was depleted in early 2008.

The other construction account balance remained at $27.5 million. The account was originally held by the trustee in escrow for a project that was terminated in late 2005. In March 2008, the Authority passed a resolution authorizing that the account balances be utilized for approved capital projects or to redeem outstanding bond principal. As a result, the Authority instructed the trustee to utilize the construction account balance to make bond principal sinking fund payments for March through July 2008. The $27.5 million balance remained restricted under General Bond Resolution 4800 until it was fully depleted making the bond principal sinking fund payments.

The remaining construction account balances at the end of 2008 are attributable to unexpended proceeds from the 2008 bond issue. In September 2008, $518.2 million was deposited with the trustee in the construction project accounts. Of the bond proceeds, $310 million was designated for the purchase and other costs associated with the acquisition of Redbud. The remaining $208.2 million was to be utilized for generation, transmission and other projects. With the exception of the Redbud purchase, which closed in September 2008, disbursements for the construction projects are initially paid from revenue funds. Reimbursements are then submitted to the trustee and moneys are transferred from the construction project accounts to operating and revenue accounts. At the end of 2009, $151.8 million remained in 2008 construction account.

The final restricted accounts for special purposes relate to wildlife mitigation pursuant to hydro licensing requirements.

Regulatory Assets

The Authority follows Statement of Financial Accounting Standards (SFAS) No. 71, as codified in Accounting Standards Codification 980, in regulatory reporting which requires utilities to match costs in the same period the revenues are collected. The regulatory asset consists of the deferred interest costs related to the 2002B capital appreciation bond issue. The balance in Costs to Be Recovered from Future Revenues includes the cumulative deferral of interest expense net of any interest income earned on the 2002B Construction Fund investments. The amount deferred in both 2008 and 2009 was $1.3 million. The deferred asset totaled $6.5 million at the end of 2009. The deferred asset will continue to increase annually until revenues are collected to pay the 2002B principal and cumulative interest at maturity on June 1, 2014. The 2002B Accrued Interest Payable is reflected in the financial statements as a Non-current Liability.

Long-Term Debt

The repayment of the Authority's outstanding bonds continued to impact the change in net assets in a positive manner by increasing the ratio of utility plant to debt. The trustee paid bondholders, on behalf of the Authority, principal payments of $72.5 million and $68.8 million on June 1, 2009 and 2008, respectively.

Under General Bond Resolution 4800, the Authority made required monthly sinking fund payments to the Bond Trustee on account of principal and interest. Although monthly sinking fund payments are not required by new General Bond Resolution 5107, the Authority expects to continue to make them for cash flow management purposes. Sinking fund payments are reflected as Current Investments "restricted for bond service." The bondholders are then paid annual principal payments on June 1 and semiannual interest payments on December 1 and June 1 of each year. Until the September 2008 bond issue, the Authority's debt service payments were structured to remain fairly constant at approximately $96 million per year through 2013.

ELECTRICAL REVENUE BASE

Overview

The Authority's primary source of revenue is derived from the sale of wholesale electric power. The Authority's customers include electric cooperatives, municipalities, public authorities, joint-action agencies, and industries. For a description of certain matters that may affect the Authority's and its customers' electrical revenue base and regulation thereof, see "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY".

The Authority transmits power over approximately an 18,000 square mile area encompassing 24 counties in the northeastern quadrant of Oklahoma adjoining Kansas on the north and Missouri and Arkansas to the east. Other electric utilities serving the area include OG&E, Public Service Company of Oklahoma, a subsidiary of American Electric Power Company, Inc. ("*PSO*"), Western Farmers Electric Cooperative ("*WFEC*"), Empire District Electric Company, and certain municipalities, public authorities and electric cooperatives, as well as the Authority's wholesale customers.

Although created as a conservation and reclamation district to operate within the boundaries of the following counties: Adair, Cherokee, Craig, Creek, Delaware, Haskell, Latimer, Lincoln, Logan, McIntosh, Mayes, Muskogee, Nowata, Okmulgee, Osage, Ottawa, Pawnee, Payne, Pittsburg, Rogers, Sequoyah, Tulsa, Wagoner and Washington, the Authority is now authorized pursuant to the Act to own, construct and operate power generating facilities within or without the boundaries of such district. Generation transmission lines and transformation equipment can also be located outside the boundaries of these counties. The Authority also delivers power to customers in neighboring states.

Authority Rates

The Authority is empowered to set rates as necessary to provide for operating expenses and debt service payments. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Rate Covenant–*Rates and Charges*". When deemed necessary by the Board of Directors, rates can be raised within 60 days of Board approval. As an agency of the State, the Authority is a self-regulated entity, and therefore its rates do not come under the jurisdiction of the Oklahoma Corporation Commission. The rates charged by the Authority for the sale of electric power and energy are not currently regulated by the FERC or by any other state or Federal authority although the Authority participates in the Southwest Power Pool ("*SPP*") regional transmission tariffs. For a description of certain matters that may affect electric rates and the regulation of Authority rates, see "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY".

The Authority implemented the PCA in 1981 to afford customers more rate stability and to assist them in more accurately forecasting power costs. The PCA is an adjustment mechanism that allows the Authority to make adjustments in revenue collections from municipal, industrial, cooperative and off-system firm customers to recover variations between estimated and actual fuel and purchased power costs incurred by the Authority. The PCA is calculated twice a year. The Authority's base rate is currently calculated using 13 mills as estimated power costs (fuel costs and purchased power). The cumulative difference between the actual fuel costs and the 13 mill base PCA rate is adjusted to reflect the actual costs of fuel used in production. The customer rates then reflect this adjustment.

A summary of the Authority's power sales and revenues by customer classifications for twelve months ended August 31, 2010 follows.

Sales of Electric Power and Energy and Operating Revenues
For Twelve Months Ended August 31, 2010

	Sales (1000 kWh)	Revenues[1]
Cooperatives	660,148	$ 34,356,019
Municipalities	3,134,289	142,931,462
Industrial	717,546	39,062,394
Sub-Total	4,511,983	$216,349,875
Off System Sales – Firm	1,803,720	73,997,156
Under/(Over) Collected PCA		(7,785,642)
Other Power Sales[2]	157,415	7,080,474
Total Contract Sales	6,473,118	$289,641,863
Off System Sales – Spot	1,338,792	49,864,799
Total Power Sales	7,811,910	339,506,663
Other Operating Revenues		8,026,155
Total Operating Revenues[3]	7,811,910	$347,532,817

[1] *After application of the PCA.*
[2] *GRDA 2 output power sales to Oklahoma Municipal Power Authority.* See, "ELECTRICAL REVENUE BASE – Oklahoma Municipal Authority" herein.
[3] *Does not reflect Interdepartmental Sales.*
SOURCE: *The Authority*

For a description of other historical operating information, see "THE AUTHORITY—Historical Operating Results".

Electric Cooperatives

NEO, an electric distribution cooperative headquartered in Vinita, Oklahoma, is the only electric cooperative currently being served by the Authority. NEO is one of the largest retail electric suppliers in Oklahoma, serving approximately 30,000 meters with a service area of approximately 3,000 square miles. For a description of the Authority's power sales contract with this cooperative, see "Contracts with Customers" below. Sales to NEO represent 9.8% of 2009 Total Operating Revenues.

The following table summarizes the peak demand and sales to NEO for twelve months ended August 31, 2010:

Electric Cooperatives
Peak Demand, Sales and Revenues
For Twelve Months Ended August 31, 2010

	Customer Since	Contract Expires	Peak kW Demand	Sales (1,000 kWh)	Authority Revenues[1]
Northeastern Oklahoma Electric Cooperative Inc.	1946	2013	188,380	660,148	$34,356,019
Total				660,148	$34,356,019

[1] *After application of PCA.*
SOURCE: *The Authority*

Municipal

The Authority currently serves 18 municipal customers, which represent 42% of 2009 Total Operating Revenues. Several of the Authority's customers have been under contract with the Authority for

more than 60 years. To mitigate customers' long-term exposure to higher market replacement energy and transmission reliability issues, the Authority worked with its municipal customers to achieve the goal of long-term commitments. In 2007, this resulted in standardized, 35-year power and sale contracts that solidified its relationship with these customers. See "Contracts with Customers" below.

The Authority has substations located in each of the municipalities, some of which are owned by the Authority and some by the municipalities, and the Authority has no responsibility for the maintenance or operation of those substations owned by the municipalities. In addition, the Authority has no responsibility for the maintenance and operation of the distribution lines, which are owned by such municipalities. The Authority has no responsibility or jurisdiction over the rates charged by the municipalities to their customers and such rates are not subject to the jurisdiction or approval of any other governmental authority.

The Authority's municipal customers and certain information relating to each are as follows:

Municipalities
Peak Demand, Sales and Revenues
For the Twelve Months Ended August 31, 2010

Customer	Customer Since	Contract Expires	Peak kW Demand	Sales (1000 kWh)	Authority Revenues[1]
City of Coffeyville, Kansas	1999	2042	116,404	773,826	$ 32,168,969
Stillwater Utilities Authority	1987	2012	93,794	431,573	18,971,867
Claremore Public Works Authority	1946	2042	82,749	300,901	14,890,443
City of Siloam Springs, Arkansas	1989	2042	58,281	260,379	12,237,128
Miami Public Utilities Board	1947	2042	50,688	211,941	10,003,452
Tahlequah Public Works Authority	1947	2042	49,497	197,276	9,821,559
Sallisaw Municipal Authority	1952	2042	28,771	123,497	6,336,545
City of Pryor Creek Municipal Utility Board	1951	2042	31,075	108,439	5,352,503
Cushing Municipal Authority	1953	2042	26,566	104,966	5,046,333
Wagoner Public Works Authority	1947	2042	23,736	90,289	4,627,570
Byng Public Works Authority	1992	2017	16,605	93,907	4,356,700
Stilwell Area Development Authority	1950	2042	18,498	83,542	4,057,320
Collinsville Municipal Authority [2]	2003	2042	14,063	47,072	2,336,775
Mannford Public Works Authority	2003	2013	9,830	40,886	1,972,482
Stroud Utilities Authority	1986	2042	9,833	33,362	1,770,187
Skiatook Public Works Authority	1977	2042	19,488	66,742	1,610,526
Lindsay Public Works Authority	2000	2025	8,588	29,760	1,445,800
Pawnee Public Works Authority	1953	2042	6,560	22,759	1,181,444
Chickasaw Tribal Utilities Authority	1992	2017	2,834	14,788	704,658
Total Municipal Contracts				3,035,905	138,892,261
Replacement Energy:					
Stillwater Utilities Authority				98,384	4,039,201
Total Replacement Energy				98,384	4,039,201
TOTAL MUNICIPALITIES				3,134,289	$ 142,931,462

[1] *After application of PCA.*
[2] *Customer from 1946 through 1993 and from 2003 to present.*
SOURCE: *The Authority*

The City of Coffeyville, Kansas, the Authority's largest customer, is located just across the Oklahoma border, has a population of over 10,000 with a strong industrial base, accounting for two-thirds of the Authority's sales to Coffeyville. Many Oklahomans work in Coffeyville's industrial park, which

includes a nitrogen fertilizer facility and other large employers such as divisions of John Deere and Amazon.com. Other large employers in the city include the Coffeyville Community College, city government and Coffeyville Regional Medical Center.

Stillwater Utilities Authority was formed for the benefit of Stillwater, Oklahoma, which is located 60 miles northeast of Oklahoma City and has a population of approximately 47,000. Stillwater Utilities Authority is the Authority's second largest municipal customer. Because Stillwater is home to Oklahoma State University, the population nearly doubles during the school year. Stillwater is also home to a large industrial park. Major employers located there include, in addition to Oklahoma State University, Stillwater Medical Center, Wal-Mart, Stillwater Public Schools and Stillwater National Bank.

Claremore, Oklahoma (25 miles northeast of Tulsa), has a population of over 17,000 and is the Authority's third largest municipal customer. Claremore is the seat of Rogers County, and both are consistently ranked among Oklahoma's top-five fastest-growing cities and counties. Claremore is also home to a large industrial park served by the Authority's customer, Claremore Public Works Authority. Major employers in Claremore include Baker Hughes/Centrilift, AXH Air Coolers, Claremore Regional Hospital, Claremore Indian Hospital, Rogers State University, Claremore Public Schools and Wal-Mart.

The Authority serves 16 municipal communities in Oklahoma and two across the state line. While the economic landscape of these communities is built primarily on the agriculture and manufacturing industries, tourism and service-related industries are also contributors. Many of Authority's municipal customers have been buying their power from the Authority for over 60 years. The Authority also serves other public power communities in Oklahoma, Arkansas, Missouri and Kansas through off-system firm contracts. See, "Off System Firm" below.

The retail electric rates charged by the Authority's Oklahoma municipal customers are not currently regulated by the Oklahoma Corporation Commission or any other state or Federal authority. The State has reserved the right to regulate rates subject to certain limitations. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS — Rate Covenant–*Rates and Charges*".

For a description of certain matters that may affect the business and affairs of these customers and regulation of their rates, see "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY".

Industrial and Commercial

The Authority currently serves 79 industrial and commercial customers which represented 10.3% of 2009 Total Operating Revenues.

The MidAmerica Industrial Park (located near the Authority's municipal customer community of Pryor, Oklahoma) is home to most of the Authority's industrial customers. Owned and operated by the Oklahoma Ordnance Works Authority (a public trust of the State), the 9,000 acre park was created in 1960 and remains the largest rural industrial park (by acreage) in the country. The MidAmerica Industrial Park is also considered to be one of the leading centers for manufacturing, processing and distribution in the central United States. The park is home to nearly 80 companies that employ over 3,400 people. The Authority's industrial customers in the park range from Fortune 500 companies to locally based operations. Paper, electronic components, iron casting and plastics are just a few of the materials manufactured in the park. Features include transportation systems, on-site utilities, cogeneration, steam, water/wastewater treatment facilities, airport with 5,000 foot runway, natural resources, business incentives, labor markets, small to large tracts of land, and lease/financing alternatives. The Authority's

CFC and transmission/engineering headquarters are located on the perimeter of MidAmerica Industrial Park.

Google, Inc. has announced the resumption of work on its data center located in MidAmerica Industrial Park. According to Google officials, the $600 million project, which has been on hold since 2008, is expected to be fully operational in late 2011 and will eventually employ 100 people. Contract renewal discussions between Google and the Authority are underway. Google previously cited access to inexpensive electricity and water as a reason for its site selection.

The Authority's 10 largest industrial customers for twelve months ended August 31, 2010 and certain information relating to each are shown in the following table:

Ten Largest Industrial Customers
Peak Demand, Sales and Revenues for Twelve Months Ended August 31, 2010[1]

Customer	Product	Customer Since	Peak kW Demand	Sales (1000 kWh)	Authority Revenues[2]
Pryor Plant Chemical Company	Chemical Products	2004	30,990	106,172	$ 6,208,742
Solae, LLC	Food Supplements	1975	17,237	126,591	5,915,929
Air Products Manufacturing Corporation	Industrial Gases	1976	19,365	123,632	5,752,567
Orchids Paper Products Company[3]	Paper Products	1975	10,528	75,756	3,677,911
Google	Internet Search Engine	2007	2,999	5,679	2,743,350
National Gypsum Company	Building Products	1950	8,444	49,051	2,630,422
American Castings, LLC	Iron Castings	2003	13,379	48,948	2,384,580
Armin Plastics-Central Region	Plastic Bags	1990	6,592	40,231	1,929,033
Wal-Mart Stores East, LP	Distribution Center	2005	3,998	26,114	1,203,921
Oklahoma Ordnance Works Authority	Industrial Park Owner	1946	3,374	16,339	931,798
All Others				99,033	5,684,141
Total				717,546	$ 39,062,394

[1] *The Authority prefers to use short-term contracts with industrial customers, preferably 3 years or less, to avoid certain tax-exempt bond restrictions on private use of the System.*
[2] *After application of Power Cost Adjustment.*
[3] *Orchids Paper Products began construction in 2009 of an addition which will double its warehouse size.*
SOURCE: *The Authority*

Oklahoma Municipal Power Authority

The Authority serves Oklahoma Municipal Power Authority ("*OMPA*"), a joint-action agency headquartered in Edmond, Oklahoma. OMPA was formed in 1981 to supply wholesale electric service to municipal customers. Since 1985, the Authority has served at least 35 Oklahoma cities indirectly through OMPA. OMPA has contracted for 4.81% of output from GRDA 2 under a unit-contingent output contract (the "Unit Power Sales Agreement"). Under the terms of the Unit Power Sales Agreement, which expires in 2036, OMPA has no ownership rights to the physical plant of GRDA 2, but is responsible for a share of Authority debt service relating to GRDA 2, common facilities, transmission service, fuel costs, fixed and variable operating expenses and administrative and general expenses. In addition, OMPA entered into a Bulk Transmission Service Agreement with the Authority, which entitles OMPA to utilize the Authority's transmission facilities to move electricity from GRDA 2 to certain destinations designated by OMPA. In 2008, OMPA signed an additional contract with the Authority for another 25 MW of firm power and electricity, and amended it in 2009 to phase in an additional 25 MW.

OMPA represented, in the aggregate, 4.7% of 2009 total operating revenues. Sales to OMPA are classified by the Authority within "Other Power Sales" and "Off System Sales – Firm."

In August 2010, OMPA notified the Authority that it was terminating the Bulk Transmission Service Agreement and would not be making further payments to the Authority thereunder. Termination of this agreement would reduce the Authority's annual gross revenues by approximately $450,000. The Authority filed an action against OMPA in September 2010, seeking, among other relief, to permanently enjoin OMPA from terminating such agreement. The Authority has agreed to hold the lawsuit in abeyance, pending non-binding mediation of the matter. OMPA is continuing to make payments to the Authority in accordance with the agreement, pending the outcome of the mediation.

Off System Firm

The Authority also has long-term relationships with other off system firm customers. To provide revenue certainty, limited market exposure and enhanced planning capabilities, the Authority has entered into standardized contracts with these customers, which eliminate rate-related termination clauses, "free call options," and the ability of the customers to sell to other entities at a profit with take or pay provisions.

Late in 2009, the Authority and WFEC signed an amendment to its agreement which will improve generation and supply planning for both systems. Beginning in January 2010, deliveries to WFEC and its 19 member cooperative communities are on a firm, scheduled basis. Additionally, for decades, the Authority and WFEC and its 19 member distribution cooperatives and Altus Air Force Base have counted on each other for reliability. Through a long-standing interconnection agreement, SPP grandfathered bi-lateral transmission rights, and a banking arrangement, the Authority and WFEC have mutually relied on each other, especially during times of plant outages. In today's energy markets, banking transactions have been replaced to a great extent with short-term energy purchases and sales. In the past two years, spot sales from the Authority to WFEC have accounted for almost 5% of power sales revenues. Since January 2010, the deliveries to WFEC and its member cooperative communities have been on a firm scheduled basis and will ramp up to 150 MW.

For the year ended December 31, 2009, the off system firm sales constituted 21.9% of the Total Operating Revenues of the Authority. The Authority's current off system firm customers are shown in the following table.

Off System Sales — Firm
Peak Demand, Sales and Revenues for Twelve Months Ended August 31, 2010

Customer	Customer Since	Contract Expires	Peak kW Demand	Sales (1000 kWh)	Authority Revenues[1]
Kansas Municipal Energy Agency	2000	2026	84,000	577,129	$ 23,069,594
Paragould, Arkansas, Light and Water Commission	1992	2038	70,000	543,562	22,333,505
City of Poplar Bluff, Missouri	1992	2039	40,000	321,040	12,982,165
Carthage Water & Electric Plant	2009	2010	10,000	42,772	1,775,124
Subtotal				1,484,503	$ 60,160,388
Oklahoma Municipal Power Authority	2007	2040	25,000	175,332	$ 7,592,650
Western Farmers Electric Cooperative	2010	2025	60,000	143,885	6,244,118
Subtotal				319,217	$ 13,836,768
Total Off System Sales – Firm				1,803,720	$ 73,997,156

[1] *After application of Power Cost Adjustment.*
SOURCE: *The Authority*

Off System Spot

The Authority markets spot sales of power on a next-hour or next-day basis or as part of the Southwest Power Pool energy imbalance market. These power sales are made on an as-available basis. In 2009, off system spot sales represented 15.9% of Total Operating Revenues. Most of the off system spot sales are made pursuant to arrangements associated with the Western System Power Pool or with other interconnected utilities.

Off System Sales — Spot Revenues

	2010[1]	2009	2008	2007	2006	2005
Total Off System Sales — Spot Revenues	$ 49,864,799	$ 50,460,911	$ 52,485,735	$ 30,044,533	$ 4,136,057	$ 17,377,449

[1] *For twelve months ended August 31, 2010.*
SOURCE: *The Authority*

Contracts with Customers

The Authority sells power and energy to its wholesale customers and industrial customers under various power sales contracts, which contain essentially the same provisions, although specific terms may not be identical.

Common to all of the contracts are provisions that sales will be made under rate schedules approved by the Board of Directors, under which the rates, charges, power factor and adjustments for depreciation fund, emergency fund and debt service may be changed in a reasonable and non-discriminatory manner and shall be adequate but not in excess of what may be necessary to fulfill the obligations of the Authority. See "Authority Rates" above. The contracts specify that the Authority will provide power and energy continuously except for interruption due to uncontrollable forces and temporary interruptions or reductions which, in the opinion of the Authority, are necessary or desirable to prevent severe system overloads or for the purposes of maintenance, repairs, replacements, installation of equipment, investigations, and inspections. Each party covenants to exercise due diligence, reasonable care and foresight to maintain continuity of service in the delivery and receipt of power.

NEO, the Authority's cooperative load, signed a contract that contains limited rate-related termination provisions, which have never been exercised. NEO is served under the conditions of Rate Schedule R - Wholesale Power Rate for Resale.

As previously explained under "Municipal" above, most of the municipal customers signed 35-year contracts in 2007 under which the Authority will supply all their electric power and energy requirements. See "Municipalities Peak Demand, Sales and Revenues" above.

The Authority has contracted with its industrial customers to serve up to specified load requirements. Many previous and expiring contracts with the industrial customers were for terms ranging from five to fifteen years, and contained various termination provisions. Newer industrial contracts are more standardized and have three-year terms with no rate-related termination provisions.

The Authority assumes that service under its contracts with existing customers will continue for a variety of reasons, including the following: (i) the historical and long-standing customer relationships and the current and future power needs of such customers, (ii) its rates are presently believed and are expected

to continue to be highly competitive with the other utilities in the Authority's service area, and (iii) its reliability and responsiveness.

THE SYSTEM

Overview

The Authority owns power generation and delivery facilities that form a fully integrated System. Although the Authority will be seeking a modified license to allow additional capacity afforded by its upgraded units, the Authority's current generation facilities and a description of each are as follows:

Generation Facilities of the Authority

	Date of Completion or Acquisition	Capacity (MW)
Hydroelectric:		
Pensacola Plant	1941	108.0
Markham Ferry Plant	1964	105.0
Salina Pumped Storage Plant:		
Stage 1	1968	130.0
Stage 2	1971	130.0
Total Hydroelectric Plants		494.0
Coal-Fired:		
GRDA 1	1981	490.0
GRDA 2	1986	322.0 [1]
Total Coal-Fired		812.0
Gas-Fired:		
Redbud	2008	443.0 [2]
Total Gas-Fired		443.0
Total		1,728.0

[1] *Based on the Authority's 62% undivided ownership of Unit No. 2.*
[2] *Based on the Authority's 36% undivided ownership interest.*
SOURCE: *The Authority*

The Authority's customers benefit overall from economic generation costs from the capital assets discussed in more detail herein. The average rate collected from the Authority's customers is approximately 4.5 cents per kWh. The Authority has been able to generate power with hydroelectricity and the CFC, supplemented with purchased power. The hydroelectric resources provide economic generation and a great deal of dispatching flexibility which add to the Authority's system reliability.

Pensacola Hydroelectric Generation

The Authority's Pensacola hydroelectric project, its first generating facility, was completed in 1941. The power house contains six Francis-type generating units with a combined capacity of 108,000 kW. As part of the Authority's previous system improvements project, the units and their mechanical and electrical controls have been equipped for automated operation. Pensacola Dam impounds approximately 1,672,000 acre-feet of the waters of the Grand River and its tributaries. Flood water storage of 540,000 acre-feet is provided for between the power pool elevation and the top of the spillway gates. The reservoir impoundment formed by the Pensacola Dam is named the Grand Lake O' the Cherokees (Grand Lake).

The Authority has made significant upgrades to the turbine generators at Pensacola Dam. These upgrades have increased the capacity of each unit to over 20 MW.

Markham Ferry Hydroelectric Generation

The Markham Ferry project includes the Robert S. Kerr Dam (which impounds Lake Hudson) and the Energy Control Center ("*ECC*") from which all of the Authority's generation resources, interconnection points and transmission system are controlled. The project, completed in 1964, is located on the Grand River in Mayes County, Oklahoma. It is comprised of a concrete and earthen embankment dam forming Lake Hudson, and a 105 MW power house containing four Kaplan-type units. The Authority plans to upgrade the four units to increase their capacity to 128 MW by 2012.

Generation and transmission system dispatching, and spot and firm energy sales and purchases, are transacted from the ECC, as well as coordinating of flood control management in conjunction with the U.S. Army Corps of Engineers.

Salina Pumped Storage Hydroelectric Generation

The Salina Pumped Storage Project, which was completed in two stages, the first in 1968 and the second in 1971, consists of six reversible pumps/generators each capable of generating 43 MW. The project allows for water to be pumped into a reservoir during periods when energy costs less, and then the water is released to generate additional energy during periods when the energy is worth significantly more in both market value and system reliability. In the past, the facility provided a reliable source of short-term emergency power and spinning reserves and provided an economic peaking source. The generation-pumpback cycle efficiency of Salina is approximately 60%, so it is typically operated only when the difference in the value of on-peak and off-peak energy is sufficiently large to more than offset the cycle efficiency. The Authority has performed extensive maintenance on Salina, so the units will consistently be able to generate to meet peak demand periods. During the past year, the Authority has replaced the generator/motor switchgear on each of the six Salina units. Plans for the coming year include the construction of a new 161 kV switching and distribution substation at the site to replace outdated interconnection facilities from the original construction of the plant and to add distribution capacity for an NEO delivery point. The intent of these modifications is to increase the reliability of the plant for future years.

Coal-Fired Generating Complex

The Authority's CFC is located three miles east of Chouteau, Oklahoma, and consists of a 490 MW generating unit (GRDA 1) and a 520 MW generating unit (GRDA 2). GRDA 2 is jointly owned by the Authority (62%) and KAMO (38%). The CFC site encompasses an area of about 1,245 acres. Support facilities include water storage, coal storage, cooling towers, and a solid waste landfill. A 345/161 kV electrical switchyard provides distribution of power to customer load.

The CFC is operated by five shifts of operating personnel who are rotated to provide around-the-clock coverage. Operating personnel are trained under specific qualification standards and procedures that are designed to maximize production reliability and efficiency. The CFC is maintained using a computerized maintenance program that includes preventive maintenance programs as well as those for management of work flow and materials inventory. Each unit is removed from service for an annual inspection, and major inspections are scheduled every six years. The efforts of the permanent maintenance staff are supplemented by contractors engaged for specialized expertise and to minimize the length of maintenance outages.

The following table shows equivalent availability percentages for the CFC for the years 2005 through 2009. Equivalent availability percentages (adjusted to reflect operation at less than full capacity)

indicate the percentage of hours the units were available for dispatch at rated load levels, and reflect scheduled and forced outages. The U.S. average for similar units is 84.1%.

Equivalent Availability Percentages

Year	GRDA 1[1]	GRDA 2[1]	NERC[2]
2005	87.9%	79.3%	83.4%
2006	87.4%	70.7% [3]	84.5%
2007	92.4%	86.8%	82.5%
2008	90.0%	88.7%	84.0%
2009	90.2%	90.3%	NA

[1] *Percentages provided by the Authority's Coal Fired Complex Management.*
[2] *Percentages from NERC Website for Coal Primary Units with 400-599MW Nameplate at http://www.nerc.com as of 05/10/2010.*
[3] *Reflects scheduled major maintenance overhauls lasting nine weeks.*
SOURCE: The Authority

The CFC coal supply is through two long term and low cost contracts with divisions of Peabody Energy. Coal is sourced from Peabody's Caballo Mine and Rawhide Mine. These coal sources have proven to be reliable in terms of production rate and quality. These contracts include provisions for periodic adjustment for coal market pricing, and also *force majeure*. Basic contract terms are as follows:

Supplier	Contract Expiration	Annual Quantity
Peabody Energy	December 31, 2020	2.2 million tons
Peabody Energy	December 31, 2020	1.8 million tons

On-site coal inventory target is a minimum of 60 days, and this level is selected to minimize risk of production restrictions due to unusual events. Coal needs in excess of contracted amounts are usually obtained by existing contract extension or purchase on spot market.

Transportation of coal is through long-term agreements with BNSF Railway that are in place through year 2016. Rates include adjustments for inflation and a fuel surcharge associated with diesel locomotives. This fuel surcharge is currently a 21.5% adder to the base freight rate.

In the past five years, the delivered cost of coal energy has risen from slightly more than $1.00/million Btu to over $1.50/million Btu. For 2010, it is expected this rate will rise again. The following chart illustrates the energy price trend.

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CFC Delivered Cost of Energy
(dollars per million BTU)

Year	Coal
2005	$1.06
2006	$1.18
2007	$1.21
2008	$1.47
2009	$1.56
2010	$1.61 (Est.)*
2011	$1.67 (Est.)*
2012	$2.14 (Est.)*

*Estimated by the Authority, based largely on fixed price contracts. The step change in 2012 is due to a new five-year rail contract. Anticipated costs may rise upon expiration of contracts in 2016

The Authority owns four aluminum unit trains and leases additional train sets as needed to meet coal delivery needs.

Gas-Fired Combined-Cycle Generation

In 2008, the Authority acquired a thirty-six percent (36%) ownership interest in Redbud, a 1,230 MW gas-fired, combined cycle power generation facility located near Luther, Oklahoma. Oklahoma Gas and Electric Company ("*OG&E*") owns fifty-one percent (51%) of Redbud and OMPA owns thirteen percent (13%) of the facility. Currently, OG&E operates Redbud under an operating agreement with the Authority and OMPA. Redbud, which began commercial operations in May 2004, is situated on a 320 acre site of which the plant footprint is 80 acres. The facility consists of four units, each having a GE 7FA combustion turbine, a Foster Wheeler heat recovery steam generator and an Alstom steam turbine. The facility is interconnected to ONEOK Gas Transportation, LLC for its fuel supply and OG&E for its transmission.

Based on the 1230 MW nominal rating for Redbud and the Authority's 36% ownership interest in the facility, the Authority will have 443 MW of available capacity from Redbud The amount available to the Authority at any point in time could be more or less depending on the operational status of the generating units and ambient conditions.

Since the acquisition of its interest in Redbud, the cost of fuel burned at the facility has decreased from $4.34/million Btu to $3.75/million Btu.

Transmission

The Authority operates and maintains an integrated electric transmission system ("*ITS*") with KAMO. The ITS includes approximately 2,090 miles of line and related switching stations and transformer substations. This system includes (i) approximately 1,213 miles of lines owned and operated by the Authority, (ii) approximately 802 miles of lines owned and operated by KAMO, and (iii) related switching stations and other transformation substations.

The transmission system lines owned by the Authority are described in the following table:

Voltage (kV)	69	138	161	345	Total
Miles	645	92	365	111	1,213

The Authority's transmission system is interconnected with the facilities of several neighboring utilities. See "Reliability" below. The Authority's transmission headquarters and related facilities are located near Pryor, on the perimeter of MidAmerica. To reduce service response time, an auxiliary service facility is sited in Cushing, Oklahoma, in the western portion of the Authority's service area.

The Authority jointly owns a 345 kV transmission line with Southwestern Electric Power Co., Empire District Electric Cooperative, Associated Electric Cooperative and City Utilities of Springfield, Missouri. The Authority has elected to participate in regional transmission tariffs as a member of SPP, a reliability council.

Routine and preventative maintenance on transmission lines and substations is performed by Authority personnel. Authority personnel also handle all line clearance activities. Aerial surveillance of the transmission lines is used to pinpoint areas which may need attention and crews are then assigned to make repairs. The entire transmission system is flown twice per year and the system is visually inspected by ground patrol on a three-year cycle. These inspections are also performed by Authority personnel.

Reliability

The Authority is a member of SPP. As a Regional Transmission Organization ("*RTO*"), SPP is mandated by FERC to ensure reliable supplies of power, adequate transmission infrastructure, and competitive wholesale prices of electricity. SPP also serves as a Regional Entity of NERC. SPP covers a geographic area of 255,000 square miles and manages transmission in nine states: Arkansas, Kansas, Louisiana, Mississippi, Missouri, Nebraska, New Mexico, Oklahoma, and Texas. SPP has members in the above states and Mississippi. SPP's footprint includes 29 balancing authorities and 50,575 miles of transmission lines. SPP's members serve over 5 million customers. SPP's membership consists of 12 investor-owned utilities, 9 municipal systems, 11 generation and transmission cooperatives, 4 state authorities, 5 independent power producers, 10 power marketers, and 2 independent transmission companies.

NERC, of which SPP is a member, was formed by the electric utility industry following the Northeast power interruption in late 1965 to promote the reliability of bulk power supplies in the electric utility systems of North America. NERC was certified as the "electric reliability organization" by FERC on July 20, 2006.

NERC's mission is to ensure the reliability of the bulk power system in North America. To achieve that, NERC develops and enforces reliability standards; assesses adequacy annually via 10-year and seasonal forecasts; monitors the bulk power system; evaluates users, owners, and operators users for preparedness; and educates, trains, and certifies industry personnel. NERC is a self-regulatory organization, subject to oversight by the FERC and governmental authorities in Canada.

The Authority is interconnected at locations with six neighboring utilities which are specified below:

Power Interconnection Points

Company	Number
Associated Electric Cooperative, Inc.	48
Empire District Electric Cooperative	2
Oklahoma Gas & Electric Company	3
American Electric Power[1]	16
Southwestern Power Administration	9
Western Farmers Electric Cooperative	1

[1] Public Service Company of Oklahoma and Southwestern Electric Power Company consolidated with American Electric Power.

Interchange agreements with these utilities provide for coordinated planning and operation through the use of interconnections and, from time to time, the purchase, sale and/or exchange of electric power and energy from one system to the other, emergency service, replacement energy and economy energy and other services. These agreements are generally in effect unless terminated by either party with one year's notice. In addition to providing system reliability, these interconnections enhance opportunities for off system sales.

CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY

General

The electric utility industry in general has become increasingly competitive due to regulatory changes and wholesale and retail market developments. Electric utilities are subject to changing federal, state and local statutory and regulatory requirements of licensing and siting of facilities, safety and security, air and water quality, land use and environmental factors. Moreover, the industry is affected by public concerns regarding potential health effects from electric and magnetic fields associated with power lines, home appliances and other sources, and pollution caused by the burning of fossil fuels.

Various factors have a profound effect on the financial condition of electric utilities. These factors include: (a) compliance with constantly changing environmental, safety, licensing, regulatory, and legislative requirements; (b) changes resulting from conservation and demand-side management programs on the timing and use of electric energy; (c) changes that may result from new national energy policies, including potential implementation of smart grid technologies; (d) new requirements to obtain increasing portions of overall electric energy supply from renewable generating resources, (e) potential imposition of requirements to reduce emissions of greenhouse gases; (f) increased competition resulting from utility mergers and acquisitions, and other alliances of competing utilities; and (g) self-generation by larger industrial and commercial customers. Additional factors affecting public power entities include issues relating to the issuance of tax-exempt bonds for generation and transmission facilities, and restrictions on the ability to sell electricity to nongovernmental entities from projects that were financed with outstanding tax-exempt bonds.

The Authority is unable to predict what impact such factors will have on its business operations and financial condition, but the impact could be significant. This Official Statement includes a brief discussion of certain of these factors. This discussion does not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date hereof. Extensive information on the electric utility industry is available from the legislative and regulatory bodies and other sources in the public domain, and potential purchasers of the 2010 Bonds should obtain and review such information.

Federal Energy Legislation

The Energy Policy Act of 2005 ("*EPACT 2005*") addresses a wide array of energy matters that could affect the entire electric utility industry, including the electric systems of the Authority. EPACT 2005 provides for mandatory reliability standards to increase system reliability and minimize blackouts, criminal penalties for manipulative energy trading practices and the repeal of the Public Utility Holding Company Act of 1935, which prohibited certain mergers and consolidations involving electric utilities. It authorizes FERC to exercise eminent domain powers to construct and operate transmission lines if the Department of Energy has previously designated a national interest transmission corridor covering the proposed lines, and if FERC determines approval has been unreasonably withheld by a state (or states). EPACT 2005 contains provisions designed to increase imports of liquefied natural gas and incentives to support renewable energy technologies, including a new two-year program for tax credit bonds for local government to finance certain renewable energy facilities. The most visible impact of the law has been the development of federal reliability standards.

FERC Regulatory Activity

Since 2007, FERC has become more active in efforts to increase the speed in which NERC creates, implements, and enforces new and improved reliability standards affecting the electric industry. FERC has done this through the issuance of Orders requiring certain actions by NERC. NERC has responded with new standards and revised versions of existing standards. Also, in 2007, NERC was given the authority to impose fines for non-compliance with NERC standards, adding to the incentive for utilities to come into compliance.

Like many other utilities currently and in the past, the Authority is the subject of a preliminary and non-public investigation by FERC into allegations of failures to comply with some of the federally-mandated bulk power reliability requirements imposed on all electric utilities. The Authority already has remediated most of the individual violations identified to date, and will remediate all of the others. The investigation is ongoing and, at this time, the Authority cannot predict the outcome of the proceedings, including the final scope of the remediations that will be required, the total cost of the remediations, and penalties, if any, that may be imposed. The Authority has taken, and will continue to take, all steps necessary to ensure compliance with all federal standards and to operate a safe and reliable electric system.

The Authority has attempted to address the increased requirements of the new standards by the creation of an additional Assistant General Manager position responsible for reliability and through additional staffing in critical areas related to compliance activities.

Environmental

Electric utilities are subject to continuing environmental regulation. Federal, state and local standards and procedures which regulate the environmental impact of electric utilities are subject to change through continuing legislative, regulatory and judicial action regarding such standards and procedures. Consequently, there is no assurance that the System will remain subject to the regulations currently in effect, will always be in compliance with future regulations or will always be able to obtain all required operating permits. An inability to comply with environmental standards could result in reduced operating levels or the complete shutdown of individual electric generating units not in compliance.

The Clean Air Interstate Rule (the "CAIR") promulgated by the United States Environmental Protection Agency ("EPA") in 2005 was appealed and remanded to EPA in 2008. The original CAIR rule

targeted the reduction of SO_2 beginning in 2010. While the original CAIR rule remains in effect, EPA proposed a new "Transport Rule" on July 6, 2010, which requires that by 2014, the Transport Rule and other state and EPA actions would reduce power plant SO_2 emissions by 71 percent over 2005 levels. Power plant NO_x emissions would drop by 52 percent. Public hearings are currently being held on the Transport Rule, and its final form remains unknown. EPA's Clean Air Mercury Rule ("CAMR"), which would have required the reduction of mercury emissions in 2010, was also vacated by the D.C. Circuit Court. EPA is currently developing air toxics emissions standards for power plants, consistent with the court's opinion regarding (CAMR). EPA has publicly indicated that it intends to propose air toxics standards for coal-fired electric generating units by March 10, 2011 and finalize a rule by November 16, 2011.

In recent years, there has been growing concern in the scientific community and among the public about global warming and the contribution to global warming made by electric generating plants that burn coal. A number of legislative proposals have been introduced in the U.S. Congress to address the issue. IMPA expects the debate on this issue to continue, but cannot predict what, if any, proposal may become law, or in what time frame. Any legislation that addresses global warming is likely to have an adverse effect on, and increase the cost of, coal-fired electricity generation.

The EPA has taken steps to regulate greenhouse gas emissions under existing law. In 2009, the EPA issued a final "endangerment finding," in which it declared that the weight of scientific evidence requires a finding that six identified greenhouse gases – carbon dioxide, methane, nitrous oxide, hydroflourocarbons, perfluorocarbons, and sulfur hexafluoride – cause global warming, and that global warming endangers public health and welfare. The final rule for the "endangerment finding" was published in the Federal Register on December 15, 2009. As a result of this finding, the EPA is authorized to issue regulations limiting carbon dioxide emissions from, among other things, stationary sources such as electric generating facilities, under the federal Clean Air Act. In May 2010, EPA finalized the greenhouse gas "Tailoring Rule," which states that greenhouse gas emissions will be regulated from large stationary sources including electric generating facilities based on specified threshold levels of the tons per year of greenhouse gases emitted, using a unit known as the carbon dioxide equivalent, or CO2e. Large sources with the potential to emit in excess of the applicability threshold will be subject to the major source permitting requirements under the Clean Air Act. Permits would be required in order to construct, modify and operate facilities exceeding the emissions threshold. Examples of such permitting requirements include, but are not limited to, the application of Best Available Control Technology (known as "BACT") for greenhouse gas emissions, and monitoring, reporting, and recordkeeping for greenhouse gases.

On September 22, 2009, the EPA issued the final rule for mandatory monitoring and annual reporting of greenhouse gas emissions from various categories of facilities, including fossil fuel suppliers, industrial gas suppliers, direct greenhouse gas emitters (such as electric generating facilities and industrial processes), and manufacturers of heavy-duty and off-road vehicles and engines. This rule does not require controls or limits on emissions, but required data collection beginning January 1, 2010, and the first annual reports are due March 31, 2011. Such data collection and reporting lays the foundation for controlling and reducing greenhouse gas in the future, whether by way of the EPA regulations under existing Clean Air Act authority or under a new climate change federal law.

The Clean Air Act requires that the EPA establish National Ambient Air Quality Standards ("NAAQS") for certain air pollutants. When a NAAQS has been established, each state must identify areas in its state that do not meet the EPA standard (known as "non-attainment areas") and develop regulatory measures in its state implementation plan to reduce or control the emissions of that air pollutant in order to meet the standard and become an "attainment area." For example, on January 7, 2010, the EPA released a draft rule proposing stricter NAAQS for ground-level ozone, the main

component of smog. The EPA planned to issue the final standards by August 31, 2010, and then follow an aggressive implementation schedule that could require states to meet the new NAAQS as early as 2014. To date, the EPA has not issued the final NAAQS standards. If this proposed rule becomes final, many air pollution sources including power plants, industrial facilities, and motor vehicles will likely face stricter emission standards.

INDEPENDENT AUDITORS

The statements of net assets of the Authority as of December 31, 2009 and 2008, and the statements of revenues, expenses and changes in net assets and statements of cash flows for the years then ended included in this Official Statement as Appendix B, have been audited by Deloitte & Touche LLP, independent auditors, as set forth in their report in Appendix B.

UNDERWRITING

The 2010 Bonds are being purchased for reoffering by the underwriters listed on the cover page hereof (the "*Underwriters*") at an aggregate price of $232,930,725.14 (which represents the principal amount of the 2010 Bonds, less an underwriting discount of $1,470,743.26, less net original issue discount of $4,913,531.60). The Bond Purchase Agreement between the Underwriters and the Authority provides that the Underwriters will purchase all of the 2010 Bonds if any are purchased. The obligation of the Underwriters to accept delivery of the 2010 Bonds is subject to various conditions contained in the Bond Purchase Agreement.

The Underwriters intend to offer the 2010 Bonds to the public initially at the offering prices set forth on the inside cover page of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriters reserve the right to join with dealers and other underwriters in offering the 2010 Bonds to the public. The Underwriters may offer and sell 2010 Bonds to certain dealers at prices lower than the public offering price. In connection with this offering, the Underwriters may overallot or effect transactions which stabilize or maintain the market price of the 2010 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

Citigroup Global Markets Inc. is the Representative of the Underwriters. Citigroup Inc., the parent company of Citigroup Global Markets Inc., one of the Underwriters of the 2010 Bonds, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of its new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2010 Bonds. Any such retail distribution of the 2010 Bonds will be at the original issue price.

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association ("*WFBNA*"). WFBNA, one of the underwriters of the 2010 Bonds, has entered into an agreement (the "*Distribution Agreement*") with Wells Fargo Advisors, LLC ("*WFA*") for the retail distribution of certain municipal securities offerings, including the 2010 Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting compensation with respect to the 2010 Bonds with WFA. WFBNA and WFA are both subsidiaries of Wells Fargo & Company.

One of the Underwriters of the 2010 Bonds is BOSC, Inc., A subsidiary of BOK Financial Corp. ("*BOSC*"). BOSC and Bank of Oklahoma, National Association ("*BOK N.A.*," which is the Bond Trustee

under the Resolution and the Bond Registrar and Paying Agent for the 2010 Bonds) are both wholly-owned subsidiaries of BOK Financial Corp., a bank holding company organized under the laws of the State ("*BOKF*"). Thus, BOSC and BOK N.A. are affiliated, but BOSC is not a bank. The 2010 Bonds are not deposits of any bank and are not insured by the Federal Deposit Insurance Corporation. BOKF and BOK N.A. are not responsible for the obligations of BOSC.

LITIGATION

2010 Bonds. No litigation is pending or, to the knowledge of the Authority, threatened in any court to restrain or enjoin the issuance or delivery of any of the 2010 Bonds or the collection of Revenues pledged or to be pledged to pay the principal of, premium, if any, and interest on the 2010 Bonds or in any way contesting or affecting the validity of the 2010 Bonds or the Resolution or the power to collect and pledge the Revenues to pay the 2010 Bonds, or contesting the powers or authority of the Authority to issue the 2010 Bonds or adopt the Resolution.

Other Matters. Oklahoma Municipal Power Authority. For a description of a contract dispute between the Authority and OMPA, currently in the process of being mediated, see "ELECTRICAL REVENUE BASE – Oklahoma Municipal Authority".

Other Matters. City of Miami, Oklahoma, et al. v. Grand River Dam Authority. In November, 2008, approximately 350 plaintiffs filed an action against the Authority seeking damages in excess of $40 million for flooding which they allege resulted from the operation of the Pensacola Dam. Although discovery has not commenced, the Authority believes it has substantial mitigating defenses and intends to vigorously defend this action, but at this time cannot predict the outcome of this matter.

LEGALITY FOR INVESTMENT

Pursuant to the provisions of the Act, the 2010 Bonds are securities in which all public officers and public bodies, agencies and instrumentalities of the State and its political subdivisions, all banks, trust companies, trust and loan associations, investment companies, and others carrying on a banking business, and all insurance companies and insurance associations, and others carrying on an insurance business, may legally and properly invest funds including capital in their control or belonging to them. The 2010 Bonds are also approved by the Act as collateral security for the deposit of any public funds and for the investment of trust funds.

TAX MATTERS

Federal Tax Matters — 2010A Bonds

General. In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2010A Bonds (hereinafter in this section referred to as the "*Federally Tax-Exempt Bonds*") is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "*Code*"), and (ii) interest on the Federally Tax-Exempt Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority in connection with the Federally Tax-Exempt Bonds, and Bond Counsel has assumed compliance by the Authority with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Federally Tax-Exempt Bonds from gross income under Section 103 of the Code.

Bond Counsel expresses no opinion regarding any other Federal tax consequences with respect to the Federally Tax-Exempt Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update its opinion after the issue date to reflect any further action, fact or circumstance, or change in law or interpretation, or otherwise. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Federally Tax-Exempt Bonds, or under state and local tax law.

For the proposed form of opinion of Bond Counsel, see Appendix C hereto.

Certain Ongoing Federal Tax Requirements and Covenants. The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Federally Tax-Exempt Bonds in order that interest on the Federally Tax-Exempt Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Federally Tax-Exempt Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Federally Tax-Exempt Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Authority has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Federally Tax-Exempt Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences. The following is a brief discussion of certain collateral Federal income tax matters with respect to the Federally Tax-Exempt Bonds. It does not purport to deal with all aspects of Federal taxation that may be relevant to a particular owner of a Federally Tax-Exempt Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Federally Tax-Exempt Bonds.

Prospective owners of the Federally Tax-Exempt Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for Federal income tax purposes. Interest on the Federally Tax-Exempt Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount. "Original issue discount" ("*OID*") is the excess of the sum of all amounts payable at the stated maturity of a Federally Tax-Exempt Bond (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity means the first price at which a substantial amount of the Federally Tax-Exempt Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of the Federally Tax-Exempt Bonds is expected to be the initial public offering price set forth on the cover page of the Official Statement. Bond Counsel further is of the opinion that, for any Federally Tax-Exempt Bonds having OID (a "*Discount Bond*"), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is

excludable from gross income for Federal income tax purposes to the same extent as other interest on the Federally Tax-Exempt Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

Bond Premium. In general, if an owner acquires a Federally Tax-Exempt Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Federally Tax-Exempt Bond after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "bond premium" on that Federally Tax-Exempt Bond (a "*Premium Bond*"). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner's yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Information Reporting and Backup Withholding. Information reporting requirements apply to interest paid on tax-exempt obligations, including the Federally Tax-Exempt Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Federally Tax-Exempt Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of

the interest on the Federally Tax-Exempt Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Federal Tax Matters — 2010B Bonds

General. The following discussion is a summary of the principal United States Federal income tax consequences of the acquisition, ownership and disposition of 2010B Bonds (hereinafter in this section referred to as the "*Federally Taxable Bonds*") by original purchasers of the Federally Taxable Bonds who are U.S. Holders (as defined below). This summary is based on the Code, Treasury regulations, revenue rulings and court decisions, all as now in effect and all subject to change at any time, possibly with retroactive effect. This summary assumes that the Federally Taxable Bonds will be held as "capital assets" under the Code, and it does not discuss all of the United States Federal income tax consequences that may be relevant to a holder in light of its particular circumstances or to holders subject to special rules, such as insurance companies, financial institutions, tax-exempt organizations, dealers in securities or foreign currencies, persons holding the Federally Taxable Bonds as a position in a "hedge" or "straddle" for United States Federal income tax purposes, or holders whose functional currency (as defined in Section 985 of the Code) is not the United States dollar. Each prospective purchaser of the Federally Taxable Bonds should consult with its own tax advisor concerning the United States Federal income tax and other tax consequences to it of the acquisition, ownership and disposition of the Federally Taxable Bonds as well as any tax consequences that may arise under the laws of any state, local or foreign tax jurisdiction.

As used herein, the term "U.S. Holder" means a beneficial owner of a Taxable Bond that is for United States Federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to United States Federal income taxation regardless of its source or (iv) a trust whose administration is subject to the primary jurisdiction of a United States court and which has one or more United States fiduciaries who have the authority to control all substantial decisions of the trust.

U.S. Holders - Interest Income. Interest on the Federally Taxable Bonds is included in gross income for United States Federal income tax purposes.

U.S. Holders - Disposition of Federally Taxable Bonds. Upon the sale, exchange, redemption, or other disposition (which would include a legal defeasance) of a Federally Taxable Bond, a U.S. Holder generally will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued interest not previously includable in income) and such U.S. Holder's adjusted tax basis in the Federally Taxable Bond. A U.S. Holder's adjusted tax basis in a Federally Taxable Bond generally will equal such U.S. Holder's initial investment in the Taxable Bond, decreased by the amount of any payments, other than qualified stated interest payments, received with respect to such Federally Taxable Bond. Such gain or loss generally will be long-term capital gain or loss if the Federally Taxable Bond was held for more than one year.

U.S. Holders - Defeasance. U.S. Holders of the Federally Taxable Bonds should be aware that, for Federal income tax purposes, the deposit of moneys or securities in escrow in such amount and manner as to cause the Federally Taxable Bonds to be deemed to be no longer outstanding under the resolution of the Federally Taxable Bonds (a "*defeasance*"), could result in a deemed exchange under Section 1001 of the Code and a recognition by such owner of taxable income or loss, without any corresponding receipt of moneys. In addition, for Federal income tax purposes, the character and timing of receipt of payments on the Federally Taxable Bonds subsequent to any such defeasance could also be affected. U.S. Holders of the Federally Taxable Bonds are advised to consult with their own tax advisors

regarding the consequences of a defeasance for Federal income tax purposes, and for state and local tax purposes.

U.S. Holders — Information Reporting and Backup Withholding. In general, information reporting requirements will apply to many classes of U.S. Holders with respect to payments of principal, payments of interest, and the proceeds of the sale of a Federally Taxable Bond before maturity within the United States. Backup withholding at a rate of 28% for the year 2010 and at a rate of 31% for the year 2011 and thereafter, will apply to such payments unless the U.S. Holder (i) is a corporation or other exempt recipient and, when required, demonstrates that fact, or (ii) provides a correct taxpayer identification number, certifies under penalties of perjury, when required, that such U.S. Holder is not subject to backup withholding and has not been notified by the Internal Revenue Service that it has failed to report all interest and dividends required to be shown on its United States Federal income tax returns.

Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner's United States Federal income tax provided the required information is furnished to the Internal Revenue Service.

IRS Circular 230 Disclosure. The advice under the caption "Federal Tax Matters — 2010B Bonds," concerning certain income tax consequences of the acquisition, ownership and disposition of the Federally Taxable Bonds, was written to support the marketing of the Federally Taxable Bonds. To ensure compliance with the requirements imposed by the Internal Revenue Service, each prospective purchaser of Federally Taxable Bonds is advised that (i) any Federal tax advice contained in this Official Statement (including any attachments) or in writings furnished by Bond Counsel (including opinions of Bond Counsel, a proposed form of which relating to Federally Taxable Bonds is contained in Appendix C) is not intended to be used, and cannot be used, by any holder of a Federally Taxable Bond for the purpose of avoiding penalties that may be imposed on the holder under the Code, and (ii) the holder should seek advice based on the holder's particular circumstances from an independent tax advisor.

State Tax Matters

In the opinion of Bond Counsel to the Authority, under the Act, the 2010 Bonds (both Federally Tax-Exempt Bonds and Federally Taxable Bonds) and the interest thereon are exempt from taxation, except inheritance taxes, by the State or by any municipal corporation, county or other political subdivision or taxing district of the State.

Bond Counsel's opinion is issued as of the date of delivery of the 2010 Bonds, and Bond Counsel assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, or any facts or circumstances, or any changes in law or in interpretations thereof, that may thereafter arise or occur, or for any other reason. Furthermore, Bond Counsel expresses no opinion as to the effect of any action taken or not taken in reliance upon an opinion of counsel, other than themselves, under state and local tax laws.

For the proposed form of opinion of Bond Counsel, see Appendix C hereto.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the 2010 Bonds under Federal or state law and could affect the market price or marketability of the 2010 Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

CERTAIN LEGAL MATTERS

All of the legal proceedings in connection with the authorization and issuance of the 2010 Bonds are subject to the approval of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority. Certain legal matters in connection with the 2010 Bonds are subject to the approval of Gretchen Zumwalt-Smith, Esq., General Counsel to the Authority and an approving certificate of the Attorney General of Oklahoma. Certain matters will be passed upon for the Underwriters by Crowe & Dunlevy, A Professional Corporation, counsel to the Underwriters.

RATINGS

Moody's Investors Services, Inc. ("*Moody's*") has assigned the 2010 Bonds a rating of A2; Standard and Poor's Rating Services ("*S&P*") has assigned a rating of A to the 2010 Bonds; and Fitch Ratings, Inc. ("*Fitch*") has assigned the 2010 Bonds a rating of A. There is no assurance that any rating will be maintained for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's, S&P or Fitch if, in its judgment, circumstances so warrant. The Authority undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings or other actions by a rating agency may have an adverse effect on the market price of the 2010 Bonds.

UNDERTAKING TO PROVIDE ONGOING DISCLOSURE

The Authority will execute and deliver a Continuing Disclosure Agreement (the "*Undertaking*") for the benefit of owners and beneficial owners of the 2010 Bonds and to assist the Underwriters in complying with the requirements of Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12, 17 C.F.R. Part 240, § 240.15c2-12 (the "*Rule*"). The Authority has complied in all material respects with all continuing disclosure undertakings made by it in accordance with the Rule. A Summary of Certain Provisions of the Continuing Disclosure Agreement is attached as Appendix D hereto.

AVAILABLE INFORMATION

The descriptions included in this Official Statement of the 2010 Bonds, the Resolution and the Policy, and certain other agreements described herein do not purport to be complete and are qualified in their entirety by reference to each such document, copies of which may be obtained during the initial offering period for the 2010 Bonds upon written request from the Authority at the address on the inside front cover hereof, Attention: Chief Financial Officer.

The execution and delivery of this Official Statement have been duly authorized by the Authority.

GRAND RIVER DAM AUTHORITY

By: /s/ *Kevin A. Easley*
Chief Executive Officer