

ORDINANCE NO. 2006-10

AN ORDINANCE AUTHORIZING THE CITY OF ROCKPORT, INDIANA, TO REOFFER ITS "POLLUTION CONTROL REVENUE REFUNDING BONDS (INDIANA MICHIGAN POWER COMPANY PROJECT), SERIES C," IN AN AGGREGATE PRINCIPAL AMOUNT OF \$40,000,000 AND APPROVING AND AUTHORIZING OTHER ACTIONS IN RESPECT THERETO.

WHEREAS, the City of Rockport, Indiana (the "Issuer"), is authorized by IC 36-7-11.9 and IC 36-7-12 (collectively, the "Act") and by IC 5-1-5 to issue revenue bonds for the financing of pollution control facilities and to issue revenue bonds to refund and refinance such revenue bonds; and

WHEREAS, Indiana Michigan Power Company (formerly Indiana & Michigan Electric Company) (the "Company") previously initiated the acquisition, construction, installation and equipping of certain pollution control facilities (the "Project") at the Company's Rockport Generating Station, and a portion of the Project was financed and refinanced through the currently outstanding \$40,000,000 City of Rockport, Indiana, Pollution Control Revenue Refunding Bonds (Indiana Michigan Power Company Project), Series C (the "Series C Bonds"); and

WHEREAS, the Company has advised the Issuer that the Company proposes to reoffer the Series C Bonds as "auction rate" securities; and

WHEREAS, in connection with the proposed reoffering of the Series C Bonds, the Company has proposed various amendments and modifications to the relevant financing documents; and

WHEREAS, it would appear that such reoffering of the Series C Bonds would be of public benefit to the health, safety and general welfare of the Issuer and its citizens and complies with the purposes and provisions of the Act and IC 5-1-5; and

WHEREAS, substantially final forms of the Amended and Restated Second Supplemental Indenture of Trust, the Second Amendment to Agreement of Sale, the Bond Purchase Agreement, the Inducement Letter, and the form of City of Rockport, Indiana, Pollution Control Revenue Refunding Bonds (Indiana Michigan Power Company Project), Series C (hereinafter collectively referred to as the "Financing Documents"), and the Reoffering Circular relating to the Series C Bonds, all relating to the reoffering and sale of the Series C Bonds as auction rate securities in the principal amount of Forty Million Dollars (\$40,000,000) have been submitted to and reviewed by the Issuer;

NOW, THEREFORE, BE IT ORDAINED BY THE COMMON COUNCIL OF THE CITY OF ROCKPORT, INDIANA:

SECTION 1. It is hereby found that the financing referred to in the Financing Documents consisting of the reoffering of the Series C Bonds as auction rate securities will be of benefit to the health and general welfare of the Issuer and its citizens and does comply with the purposes and provisions of the Act.

SECTION 2. The forms of the Financing Documents and the Reoffering Circular are hereby approved and all such documents shall be inserted in the minutes of the Common Council and kept on file by the Clerk-Treasurer. Two (2) copies of the Financing Documents and the Reoffering Circular are on file in the office of the Clerk-Treasurer for public inspection.

SECTION 3. Rule 15c2-12(b)(1) of the Securities Exchange Act of 1934, as amended (the "SEC Rule"), provides that, prior to the time a participating underwriter bids for,

purchases, offers or sells municipal securities, the participating underwriter shall obtain and review an official statement that an issuer of such securities deems final as of its date, except for the omission of no more than the following information: the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings and other terms of the securities depending on such matters. The Mayor, the Clerk-Treasurer or any other officer of the Issuer familiar with the matters with respect to the Issuer set forth in the Reoffering Circular is hereby authorized to certify to the Purchasers (as defined in the Financing Documents) that the information in the Reoffering Circular with respect to the Issuer is deemed to be final within the meaning of the SEC Rule prior to the distribution of the Reoffering Circular.

SECTION 4. The Issuer shall reoffer and sell its Series C Bonds in an aggregate principal amount of \$40,000,000 for the purpose of refinancing the outstanding \$40,000,000 principal amount of the Series C Bonds. The Series C Bonds will be payable as to principal, premium, if any, interest and Purchase Price solely from the payments made by the Company under an Agreement of Sale dated as of June 1, 1980, as amended, and as to be further amended by the Second Amendment to Agreement of Sale (as so amended, the "Agreement") in the principal amount equal to the aggregate principal amount of the Bonds issued, which Agreement evidences and secures said loan, and as otherwise provided in the above described Financing Documents. The Series C Bonds shall never constitute a general obligation of, an indebtedness of, or charge against the general credit of the Issuer.

SECTION 5. The Clerk-Treasurer is authorized and directed to sell and deliver the Series C Bonds to the Purchasers designated in the Bond Purchase Agreement at a price equal to the aggregate principal amount thereof, plus accrued interest, if any, at a per annum rate

of interest to be determined as set forth in the Financing Documents but not to exceed 13% and including a premium or discount not to exceed 3-1/2%. The use of a Reoffering Circular in substantially the same form as the Reoffering Circular approved herein is approved for use and distribution by the Purchasers and their agents in connection with the marketing and reoffering of the Series C Bonds.

SECTION 6. The Mayor and Clerk-Treasurer are authorized and directed to execute those Financing Documents approved herein which require the signature of the Mayor and Clerk-Treasurer and any other document which may be necessary or desirable to consummate the transaction, and their execution is hereby confirmed, on behalf of the City of Rockport. The signatures of the Mayor and Clerk-Treasurer on the Series C Bonds may be facsimile signatures. The Clerk-Treasurer is authorized to arrange for the delivery of the Series C Bonds to the purchaser or purchasers thereof, payment for which will be made in the manner set forth in the Financing Documents. The Mayor and Clerk-Treasurer may by their execution of the Financing Documents requiring their signatures and imprinting of their facsimile signatures on the Bonds or their manual signatures thereof approve changes therein and also in those Financing Documents which do not require the signature of the Mayor and/or Clerk-Treasurer without further approval of this Common Council if such changes do not affect terms set forth in this Ordinance and the Financing Documents pursuant to Indiana Code 36-7-12-27(a)(1) through (a)(10).

SECTION 7. The provisions of this Ordinance and the Financing Documents shall constitute a contract binding between the Issuer and the holder or holders of the Series C Bonds and after the issuance of said Series C Bonds this Ordinance shall not be repealed or

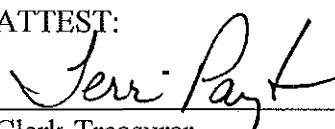
amended in any respect which would adversely affect the right of such holder or holders so long as said Series C Bonds or the interest thereon remains unpaid.

SECTION 8. This Ordinance shall be in full force and effect upon adoption and compliance with Indiana Code 36-4-6-14.

The foregoing was passed by the Common Council this 13th day of September, 2006, at _____.

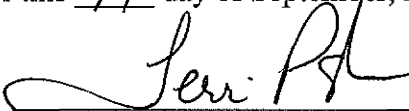


Mayor of the City of Rockport, Indiana

ATTEST:


Clerk-Treasurer

Presented by me to the Mayor this 14 day of September, 2006, at __:__.m.



Clerk-Treasurer of the City of Rockport, Indiana

Approved and signed by me this 14 day of September, 2006.



Mayor of the City of Rockport, Indiana

SECOND AMENDMENT TO AGREEMENT OF SALE

SECOND AMENDMENT, dated as of the 1st day of October, 2006, by and between the CITY OF ROCKPORT, INDIANA, a municipal corporation and political subdivision of the State of Indiana ("Issuer"), and INDIANA MICHIGAN POWER COMPANY, a corporation organized and existing under the laws of the State of Indiana ("Company"), to the Agreement of Sale, dated as of June 1, 1980, as revised by a First Revision Agreement dated as of October 1, 1984 and as amended by the First Amendment to Agreement of Sale dated as of October 1, 2003, all between the Issuer and the Company ("Existing Agreement");

WITNESSETH:

WHEREAS, concurrently with the execution and delivery of this Second Amendment to Agreement of Sale, \$40,000,000 aggregate principal amount of its Pollution Control Revenue Refunding Bonds (Indiana Michigan Power Company Project), Series C ("Series C Bonds"), issued by the Issuer pursuant to an Indenture of Trust, dated as of June 1, 1980, between the Issuer and Wells Fargo Bank, N.A. (formerly Wells Fargo Bank Indiana, N.A.), successor to Norwest Bank Indiana, N.A. (formerly Lincoln National Bank and Trust Company of Fort Wayne), as trustee ("Trustee") as heretofore amended and supplemented by various supplemental indentures (the "Original Indenture"), and as further amended and supplemented by an Amended and Restated Second Supplemental Indenture of Trust dated as of October 1, 2006 (the "Second Supplemental Indenture") (the Original Indenture, as so supplemented, the "Indenture") are being remarketed and reoffered by the remarketing agent for the Series C Bonds; and

WHEREAS, the Issuer and the Company desire to amend the Existing Agreement in connection with the reoffering of the Series C Bonds, pursuant to Section 9.6 of the Existing Agreement and Sections 9.01 and 10.01 of the Original Second Supplemental Indenture (as defined in the Second Supplemental Indenture) and

WHEREAS, Section 9.6 of the Existing Agreement provides that the Existing Agreement may not be amended, changed, modified, altered or terminated except in accordance with the Indenture; and

WHEREAS, Section 10.01 of the Original Second Supplemental Indenture provides that the Issuer and the Trustee shall, without the consent of or notice to the bondholders, consent to any amendment, change or modification of the Existing Agreement to provide for credit enhancement with respect to the Series C Bonds, such as the Municipal Bond Insurance Policy being issued by Financial Guaranty Insurance Company in connection with the remarketing and reoffering of the Series C Bonds and

WHEREAS, the Trustee has so consented to this Second Amendment to Agreement of Sale;

NOW, THEREFORE, the Issuer and the Company covenant and agree as follows:

Section 1. Defined terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Existing Agreement.

Section 2. The following definitions appearing Section 1.1 of the Existing Agreement hereby amended and restated as follows:

“Company” shall mean Indiana Michigan Power Company, formerly Indiana & Michigan Electric Company, a corporation duly organized and existing under the laws of the State of Indiana.

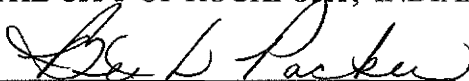
“Second Supplemental Indenture” shall mean the Amended and Restated Second Supplemental Indenture of Trust, between the Issuer and the Trustee, dated as of October 1, 2006.

Section 3. The Existing Agreement is amended to add a new paragraph (e) to Section 7.1:

"(e) An “Event of Default” has occurred and is continuing under the Insurance Agreement, dated as of October 2, 2006 between the Company and Financial Guaranty Insurance Company.

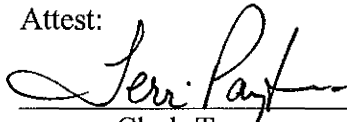
IN WITNESS WHEREOF, the Issuer and the Company have caused this Second Amendment to Agreement of Sale to be executed in their respective names and their respective seals to be hereunto affixed and attested by their duly authorized officers, all as of the date first above written.

THE CITY OF ROCKPORT, INDIANA



Mayor

Attest:



Clerk-Treasurer

INDIANA MICHIGAN POWER COMPANY

Assistant Treasurer

Attest:

Assistant Secretary