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T. DEON WARNER
MEMBER

March 9, 1993

Mr. Robert A. Boresta
Mudge Rose Guthrie Alexander & Ferdon
180 Maiden Lane
New York, New York 10038

RE: Venango Industrial Development Authority
Resource Recovery Revenue Bonds
(Scrubgrass Project) Series 1993

Dear Mr. Boresta:

This is in response to your letter dated February 22, 1993, and received by this Agency February 23, 1993. Such letter was supplemented by your letter dated March 8, 1993 and received on that same day.

Your letters and supplemental materials describe the above-referenced proposed bond offering (the "Bonds"). The bonds will be issued by the Venango Industrial Development Authority (the "Issuer"), a public instrumentality of the Commonwealth of Pennsylvania and a public body corporate and politic organized and existing under the Pennsylvania Industrial and Commercial Development Law. Proceeds from sale of the Bonds will be used primarily for the purpose of repaying a portion of the construction loan made to Scrubgrass Generating Company, L.P., a Delaware limited partnership (the "Partnership"). National Westminster Bank PLC acting through its New York branch (the "LOC Bank") will issue its irrevocable direct pay letter of credit (the "Letter of Credit") as additional security for the payment of the principal of and up to 90 days' accrued interest on the Bonds. In your letter sent via facsimile on March 8, 1993, you indicated that if there is an event of default in the payment when due of interest on any Bond, the trustee will declare the principal and interest on the Bonds to be due and payable. Upon an acceleration and maturity of the Bonds the indenture requires

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the trustee to draw on the Letter of Credit to pay the principal and interest on the Bonds. Interest on the Bonds shall cease to accrue on and after the date specified in such declaration. Thus, as a practical matter, the 90 day period after default on the payment of interest on the Bonds would never elapse without the trustee declaring the Bonds to be in default and drawing on the Letter of Credit to pay the principal and interest on the Bonds.

It is my understanding that the common stock of the LOC Bank is listed on the New York Stock Exchange. In addition, you noted that the LOC Bank is regulated in substantially the same manner and to the same extent as a bank organized under New York law.

Based upon the foregoing understanding, the exemption provided by Section 6.F of the Texas Securities Act (the "Act") is available for the Bonds. Further, the Letter of Credit if considered a security, is also exempt pursuant to Section 6.F.

Please note that this Agency has not made an independent investigation of the facts, but has relied solely upon the information you have provided. If this information is incorrect or changes substantially, the staff would reconsider the matter and the opinion stated above would be void.

Further, this Agency does not grant nor confer the exemption. Its availability depends entirely upon full compliance with the language of the exemption. If a dispute arises as to availability of the exemption, the burden of proof falls upon the party claiming the exemption.

Finally, opinions expressed by this Agency are not binding upon civil litigants in future proceedings.

I trust this information answers your inquiry. Please feel free to write us if you need further information.

Very truly yours,

RICHARD D. LATHAM
Securities Commissioner

Denise Voigt Crawford
General Counsel

DVC:jak