FIRSTENERGY CORP
Form 424B5
September 15, 2003
Table of Contents

PROSPECTUS SUPPLEMENT

(To Prospectus dated August 29, 2003)

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-103865

28,000,000 Shares

FirstEnergy Corp.

Common Stock

We are offering 28,000,000 shares of our common stock. Our common stock is listed on the New York Stock Exchange under the symbol FE . The last reported sale price of our common stock on September 11, 2003 was $31.10 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page S-8 of this prospectus supplement.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to FirstEnergy
Per Share	$30.00	$0.975	$29.025
Total	$ 840,000,000	$ 27,300,000	$ 812,700,000

We have granted the underwriters a 30-day option to purchase up to 4,200,000 additional shares of our common stock on the same terms and conditions as set forth above to cover over-allotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or determined that this prospectus supplement is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares to purchasers on September 17, 2003.

Joint Book-Running Managers

Citigroup **Morgan Stanley**

Barclays Capital **JPMorgan** **Wachovia Securities**

BNY Capital Markets, Inc.
Lehman Brothers
Credit Suisse First Boston
UBS Investment Bank

The date of this prospectus supplement is September 12, 2003.

Table of Contents

TABLE OF CONTENTS

PROSPECTUS SUPPLEMENT

	Page
ABOUT THIS PROSPECTUS SUPPLEMENT	ii
PROSPECTUS SUPPLEMENT SUMMARY	S-1
RISK FACTORS	S-8
USE OF PROCEEDS	S-17
COMMON STOCK DIVIDENDS AND PRICE RANGE	S-18
CAPITALIZATION	S-19
UNDERWRITERS	S-20

PROSPECTUS

	Page
ABOUT THIS PROSPECTUS	3
CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS	3
FIRSTENERGY CORP.	4
USE OF PROCEEDS	5
RATIO OF EARNINGS TO FIXED CHARGES	5
DESCRIPTION OF DEBT SECURITIES	5
DESCRIPTION OF COMMON STOCK	13
DESCRIPTION OF SHARE PURCHASE CONTRACTS AND SHARE PURCHASE UNITS	16
PLAN OF DISTRIBUTION	17
LEGAL MATTERS	19
EXPERTS	19
WHERE YOU CAN FIND MORE INFORMATION	19

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering of the common stock and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into the accompanying prospectus. The second part is the accompanying prospectus, which contains a description of our common stock and gives more general information, some of which may not apply to the common stock. To the extent there is a conflict between the information contained or incorporated by reference in this prospectus supplement, on the one hand, and the information contained in the accompanying prospectus or any document incorporated by reference therein, on the other hand, the information in this prospectus supplement shall control.

This prospectus supplement and the accompanying prospectus are part of a registration statement that we filed with the Securities and Exchange Commission (SEC) using a shelf registration process. Under the shelf registration process, we may sell any combination of the securities described in the accompanying prospectus up to a dollar amount of $2,000,000,000, of which this offering is a part. In this prospectus supplement, we provide you with specific information about the terms of this offering.

You should rely on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. Neither we nor any underwriter, agent or dealer has authorized anyone to provide you with information other than that contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. Neither we nor any underwriter, agent or dealer is making an offer of these securities in any state where such offer is not permitted.

You should not assume that the information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date on the front of this prospectus supplement.

Unless the context requires otherwise, references to we, us, our and FirstEnergy refer specifically to FirstEnergy Corp. and its subsidiaries.

Table of Contents

PROSPECTUS SUPPLEMENT SUMMARY

This summary may not contain all of the information that may be important to you. This summary contains basic information about us and this offering and highlights selected information from this prospectus supplement. The following summary is qualified in its entirety by the information contained elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus. You should read this entire prospectus supplement and the accompanying prospectus carefully, including the Risk Factors section beginning on page S-8 of this prospectus supplement and the financial statements and notes to those statements contained or incorporated by reference in this prospectus supplement and in the accompanying prospectus, before making an investment decision.

FirstEnergy Corp.

FirstEnergy Corp. was organized under the laws of the State of Ohio in 1996. On November 7, 2001, we merged with GPU, Inc., and we were the surviving company. We are a registered public utility holding company, and as such are subject to regulation by the SEC under the Public Utility Holding Company Act of 1935. Our principal business is the holding, directly or indirectly, of all of the outstanding common stock of our principal electric utility operating subsidiaries, Ohio Edison Company, The Cleveland Electric Illuminating Company, Pennsylvania Power Company, The Toledo Edison Company, Jersey Central Power & Light Company, Metropolitan Edison Company and Pennsylvania Electric Company. Our other principal operating subsidiaries include American Transmission Systems, Incorporated, FirstEnergy Solutions Corp., FirstEnergy Facilities Services Group, LLC, MYR Group, Inc., MARBEL Energy Corporation, FirstEnergy Nuclear Operating Company (FENOC) and GPU Power, Inc. American Transmission Systems owns and operates transmission facilities located within the service areas of Ohio Edison, Cleveland Electric, Toledo Edison and Pennsylvania Power. FirstEnergy Solutions provides energy-related products and services and, through its FirstEnergy Generation Corp. subsidiary, operates our non-nuclear generation business. FENOC operates the electric utility subsidiaries nuclear generating facilities. FirstEnergy Facilities Services Group is the parent company of several heating, ventilating, air conditioning and energy management companies, and MYR Group is a utility infrastructure construction service company. MARBEL holds our interest in Great Lake Energy Partners, LLC. GPU Power, Inc. owns and operates generation facilities in Latin America.

Our consolidated revenues are primarily derived from electric service provided by our electric utility subsidiaries. The combined service areas of our electric utility operating subsidiaries encompass approximately 37,200 square miles in Ohio, Pennsylvania and New Jersey. The areas they serve have a combined population of approximately 11.0 million.

As of August 31, 2003, Ohio Edison, Cleveland Electric, Pennsylvania Power, Toledo Edison and FirstEnergy Solutions had 13,387 megawatts (MW) of generation capacity (including the 883 MW of the Davis-Besse Nuclear Power Station, which is currently not in service) to meet customer needs. Pursuant to our corporate separation plan implemented under Ohio utility restructuring legislation, we transferred ownership or operational control of the non-nuclear generation assets of those operating subsidiaries to FirstEnergy Generation as of January 1, 2001.

As a result of restructuring legislation in Pennsylvania and New Jersey, GPU had divested essentially all of its generation assets prior to the time we agreed to merge with GPU in August 2000. However, the Pennsylvania and New Jersey restructuring orders require Jersey Central, Pennsylvania Electric and Metropolitan Edison, operating subsidiaries of ours that were formerly owned by GPU, to act as providers of last resort (PLR) by supplying electricity to customers who do not choose an alternate supplier. Jersey Central has entered into contracts for the supply of electricity to meet its PLR obligations through May 31, 2004 (and for one-third of its

Table of Contents

requirements through May 31, 2006) pursuant to an auction approved by the New Jersey Board of Public Utilities (NJBPU). Effective September 1, 2002, Metropolitan Edison and Pennsylvania Electric assigned their PLR responsibility to FirstEnergy Solutions through a wholesale power sale agreement which expires in December 2003 and may be extended for each successive calendar year. Under the terms of the power sale agreement, FirstEnergy Solutions assumed the supply obligation and the energy supply profit and loss risk for the portion of power supply requirements not self-supplied by Metropolitan Edison and Pennsylvania Electric under their non-utility generation (NUG) contracts and other power contracts with nonaffiliated third party suppliers. This arrangement reduces Metropolitan Edison s and Pennsylvania Electric s exposure to high wholesale power prices by making power available at fixed prices for their uncommitted PLR energy costs during the term of the agreement to FirstEnergy Solutions. FirstEnergy Solutions has hedged most of Metropolitan Edison s and Pennsylvania Electric s unfulfilled PLR obligations through 2005. Metropolitan Edison and Pennsylvania Electric will continue to defer the cost differences between NUG contract rates and the rates reflected in their capped generation rates.

Our principal executive office is located at 76 South Main Street, Akron, Ohio 44308-1890; telephone: (800) 646-0400.

Recent Developments

Restatement of Previously Reported Results

On August 19, 2003, we filed with the SEC an amended annual report on Form 10-K/A for the year ended December 31, 2002, and an amended quarterly report on Form 10-Q/A for the quarter ended March 31, 2003, in connection with our previously announced restatements of our 2002 and first quarter 2003 financial statements to reflect implementation of a change in the application of the method of amortizing costs being recovered under our Ohio transition plan and recognition of above-market values of certain leased generation facilities. In addition, certain other immaterial adjustments related to the recognition of a valuation allowance on a tax benefit recognized in 2002 and other adjustments are now reflected in results for the year ended December 31, 2002. The restatements reflected non-cash expenses only and reduced our earnings per share by $0.26 to $1.89 ($1.88 diluted) on a GAAP basis for 2002 and will reduce earnings per share in 2003 by $0.17. As a result, over the period encompassed by the restatements (2000-2017), net income will increase by $381 million. See Note 2(M) to the Consolidated Financial Statements contained in our Form 10-K/A filed August 19, 2003. Cleveland Electric and Toledo Edison also restated their 2001 and 2000 financial results due to the changes for those years being material for those two individual companies.

Progress Toward Davis-Besse Restart

On April 30, 2002, the Nuclear Regulatory Commission, or NRC, initiated a formal inspection process at our Davis-Besse Nuclear Power Station in response to corrosion found by FENOC in the reactor vessel head near the nozzle penetration hole during a refueling outage in the first quarter of 2002. The purpose of the formal inspection process is to establish criteria for NRC oversight of our performance and to provide a record of the major regulatory and licensee actions taken, and technical issues resolved, leading to the NRC s approval of restart of the plant. Having completed refurbishment and installation of the replacement reactor vessel head and numerous other enhancements to improve the safety margin at the plant and having demonstrated that all major systems of the plant are operable, we have now entered Mode 4 of the restart process. Entering Mode 4 allows us to conduct a pressure test of the reactor s coolant system, as well as inspect the under vessel penetration nozzles and test other plant systems. We expect to complete these procedures by late September 2003. The pressure test, which will take nine to ten days to complete including heat-up and cool-down, involves increasing pressure and temperature in the reactor coolant system to operating conditions and maintaining those pressure and temperature levels for about seven days. After the system cools down, a comprehensive inspection will be

Table of Contents

conducted. Subject to their successful completion, these tests and inspections will be followed by previously scheduled modifications to the plant s high pressure injection pumps. These and other planned modifications are expected to take approximately four to six weeks to complete and should result in the plant s availability for restart in the fall of 2003. The plant continues to remain offline, and before the unit can be returned to service, the NRC must authorize restart of the plant following its formal inspection process.

During this outage, we have incurred replacement power costs of approximately $15 million to $25 million per month. If the tests described above do not go as expected, or if there are significant delays in the NRC approval process, we will continue to incur substantial replacement power costs, which will continue to have an adverse effect on our cash flows and results of operations. In addition, if testing is not successful, we may be required to undertake additional and possibly costly remedial actions.

Regional Power Outage

On August 14, 2003, eight states in the Northeast U.S. and southern Canada, covering a geographic area reportedly having approximately 50 million people, experienced a widespread power outage. That outage affected approximately 1.4 million customers in our service area. The causes of the outage have not yet been determined, although various industry, media and other reports have alleged that the outage began in our system. We are in the process of accumulating data and evaluating the status of our electrical system prior to and during the outage event and we understand that the same effort is under way at utilities and transmission operators across the region.

Investigations

Congressional committees, state utility commissions and others have commenced investigations and inquiries into the causes and implications of the outage. In addition, a joint U.S.-Canada Task Force has been formed to investigate the events, with the U.S. Department of Energy coordinating the U.S. portion of this investigation. The consensus of the investigating entities is that extensive data needs to be gathered and analyzed in order to determine with any degree of certainty the circumstances that led to the outage. We are committed to working with the U.S.-Canada Task Force and other appropriate groups involved to determine exactly what events led to the outage. The various inquiries could take many months to complete, given the complexity of the issues involved, the number of parties involved and the amount of data to be collected and analyzed.

Based on our internal investigations to date, we have reached the following initial conclusions. We believe that the events of August 14, 2003 that occurred on our system, in and of themselves, could not account for the widespread nature of this outage. Instead, we believe that the widespread loss of power could have resulted only from a combination of events and not a few isolated incidents. A number of events occurred on the transmission system during the day, including oscillations in flow, frequency dips and reversals in power flows between regions along major interconnections, all of which could have combined to affect the ability of the Eastern Interconnection to perform. Even with the temporary loss of our Eastlake Unit 5 at 1:31 pm (EDT) and other events on our system, the causes of which we are still analyzing, including the loss of three of our transmission lines and of one interconnection with American Electric Power Company, power systems and flows corrected themselves, and our system remained balanced and stable. Despite increasing uncertainty as to the events on our system, as late as 4:05 pm (EDT), power flows into and out of our system had not changed meaningfully, and even as events began to escalate after that time, our system worked as designed to protect itself. The systems with which we remained interconnected did not experience significant outages. In addition, we determined that our computerized system for monitoring and controlling our transmission and generation system was operational, but certain functions, including the audible alarms and an alarm screen function, were not. However, the Midwest Independent Operator (MISO), as regional security coordinator, was monitoring important elements of our system. Its monitoring system contains similar alarming functionality to ours.

Table of Contents

Legal Proceedings

A number of lawsuits have been filed against us in connection with the August 14th regional outage by individuals seeking court certification to represent a class of similarly situated persons who allegedly suffered damages as a result of the outage. We intend to defend these actions vigorously and believe we have substantial defenses. We cannot, however, predict the outcome of any of these legal or any related regulatory proceedings. If it were ultimately determined that we have legal liability or are otherwise made subject to regulatory action in connection with the outage, it could have a material adverse effect on our financial condition and results of operations. There also have been insurance-related claims made by or on behalf of several individuals claiming losses related to the outage. We have denied liability with respect to these claims.

Proposed Regulatory Action and Legislation

In addition to these legal proceedings and depending upon the outcomes of the governmental and other investigations of the outage, it is possible that additional regulatory proceedings or legal actions may be instituted against us. One such proceeding has already been initiated at the Public Utilities Commission of Ohio (PUCO) in respect to a complaint made by a local congressman, alleging that we failed to provide reasonable and adequate service under applicable Ohio law. The complaint seeks the authorization for another electric supplier to furnish electric service within our Ohio-based franchise territory. While we are unable to predict the outcome of this proceeding, we believe that the complaint is without merit.

Moreover, separate legislation passed by the Senate and the House of Representatives may, if enacted, impose new regulatory requirements and operational criteria for owners and operators of electric transmission systems, as a consequence, in part, of the outage. The additional capital and operating costs which might be required to comply with these new standards could be material. At this time, however, we are unable to predict the outcome of these proceedings or legislative or regulatory changes or the magnitude of any increased associated costs we might incur.

Proceedings Relating to the Recent Restatements and Other Events

A number of individual shareholder-plaintiffs have filed separate complaints against us, our Board of Directors and certain of our executive officers alleging that we and our named officers reported materially false and misleading financial results over the relevant periods in violation of federal securities laws in connection with the restatement of earnings described above and, in one case, the August 14, 2003 regional power outage. In each case, the plaintiffs are seeking certification from the court to represent a class of similarly situated shareholders. Although we intend to defend these cases vigorously, we cannot predict the outcome or whether any further cases will be filed against us.

In addition, we were recently served with a derivative complaint filed by an individual shareholder on behalf of other shareholders against us and our Board of Directors, alleging a series of breaches of fiduciary duties by our directors and certain of our officers relating to the issues surrounding the regional power outage, the restatement of earnings and the on-going outage at the Davis-Besse Nuclear Power Plant, all discussed above. Another shareholder has served a demand on the Board of Directors to take action to remedy alleged breaches of fiduciary duties by our officers and directors related to the restatement of earnings.

On September 11, 2003, we received an informal data request from the SEC asking us to voluntarily provide information and documents related to our recent restatement of our 2002 annual financial statements. We intend to fully comply with the request, and we do not anticipate any adverse consequences.

Sammis Plant Litigation

On August 7, 2003, the United States District Court for the Southern District of Ohio ruled, in an initial liability phase, that 11 projects undertaken at Ohio Edison s and Penn Power s W.H. Sammis Plant between 1984

Table of Contents

and 1998 required Ohio Edison to obtain pre-construction permits under the Clean Air Act. In 1999, the U.S. Environmental Protection Agency (EPA) and the States of Connecticut, New Jersey and New York commenced this lawsuit alleging that these projects did not constitute routine maintenance, repair or replacement, and resulted in an increase in pollutant emissions requiring compliance with EPA s New Source Review Program and, if applicable, to more stringent emission limitations. The remedy phase, which is currently scheduled for trial beginning April 19, 2004, will address civil penalties and what, if any, actions should be taken to further reduce emissions at the plant. In its ruling, the Court indicated that the remedies it may consider and impose involved a much broader, equitable analysis, requiring the Court to consider air quality, public health, economic impact, and employment consequences. The Court may also consider the less than consistent efforts of the EPA to apply and further enforce the Clean Air Act. The potential penalties that may be imposed, as well as the capital expenditures necessary to comply with substantive remedial measures that may be required, may have a material adverse impact on our financial condition and results of operations.

Jersey Central Power & Light Company Rate Case

On July 25, 2003, the NJBPU announced its decision in Jersey Central s base electric rate proceeding, which reduces Jersey Central s annual revenues by approximately $62 million effective August 1, 2003. The NJBPU decision which was embodied in a written Summary Order dated August 1, 2003, also provided for an interim return on equity of 9.5 percent on Jersey Central s rate base for the next 6 to 12 months. During that period, Jersey Central can initiate another proceeding to request recovery of additional costs incurred to enhance system reliability. In that proceeding, the NJBPU could increase the return on equity to 9.75 percent or decrease it to 9.25 percent, depending on its assessment of the reliability of Jersey Central s service. Any reduction would be retroactive to August 1, 2003. The revenue decrease in the decision consists of an annual $223 million decrease in the electricity delivery charge, an annual $111 million increase due to the August 1, 2003 expiration of annual customer credits previously mandated by the New Jersey transition legislation, an annual $49 million increase in the Market Transition Charge, or MTC, tariff component, and a net $1 million annual increase in the Societal Benefits Charge.

In addition, the NJBPU disallowed recovery of $153 million of the $618 million in projected deferred energy balances as of July 31, 2003. In the second quarter of 2003, Jersey Central recorded charges to net income aggregating $158 million ($94 million net of tax) consisting of the $153 million in disallowed deferred energy costs and other regulatory assets that are not recoverable.

On August 18, 2003, Jersey Central filed a Motion for Rehearing, Reconsideration and Partial Remand which is pending before the NJBPU.

Jersey Central Outage Investigation

A series of unexpected faults in the three sub-transmission lines serving a portion of the Jersey Shore triggered a series of outages for approximately 34,000 New Jersey customers from July 5 to July 8, 2003. The NJBPU has launched an investigation into the causes of the outages, and Jersey Central has filed an incident report with the NJBPU, detailing the timeline and causes for the outages. At the request of the Governor, a Special Reliability Master has also been appointed by the NJBPU to investigate the outage. Jersey Central has committed to accelerate $60 million in system improvements to enhance service reliability. Additionally, Jersey Central sited ten emergency generators at strategic locations and installed a temporary back-up transmission line within a few days of the outage. Without admitting liability, Jersey Central has established a streamlined procedure to address customers damage claims. Dover Township has filed a complaint against Jersey Central with the NJBPU as well as a lawsuit seeking damages.

Table of Contents

The Offering

Common stock offered	28,000,000 shares. We have granted the underwriters a 30-day option to purchase up to 4,200,000 additional shares of our common stock to cover over-allotments, if any.
Shares of common stock outstanding as of September 11, 2003	297,636,276 shares.
Pro forma shares of common stock outstanding after the issuance of the common stock offered by this prospectus supplement (28,000,000 shares)	Approximately 325,636,276 shares.
Listing	Our common stock is listed on the New York Stock Exchange under the symbol FE . The shares of common stock offered hereby have been authorized for listing on such exchange, subject to official notice of issuance.
Indicated current quarterly dividend rate	$0.375 per share. See Risk Factors and Common Stock Dividends and Price Range.
Use of proceeds	The net proceeds to be received by us from this offering of common stock, after deducting underwriting discounts and commissions and our estimated expenses, are expected to be approximately $812.3 million, or $934.2 million if the underwriters option to purchase additional shares is exercised in full. We anticipate using the aggregate net proceeds from this offering to repay outstanding short-term debt. If and to the extent that the underwriters option to purchase additional shares is exercised, we intend to repay additional short-term debt and a portion of the outstanding advances under our 3-year credit facility. This facility matures on November 29, 2004 and currently has outstanding aggregate advances of $315 million with interest rates of 2.25% to 2.75% per annum. We may also use a portion of any additional net proceeds for an advance to Cleveland Electric to repay a portion of its First Mortgage Bonds, 9 1/2% Series due 2005.
Voting rights	Holders of our common stock are entitled to one vote for each share of common stock held.
Risks	Your investment in our common stock will involve risks. You should carefully consider the discussion of risks in Risk Factors in this prospectus supplement and the other information in this prospectus supplement and the accompanying prospectus, including our cautionary statements regarding forward-looking statements in the accompanying prospectus, before deciding whether an investment in our common stock is suitable for you.

Table of Contents

Summary Historical Consolidated Financial Information

We present below selected historical consolidated financial data for each of the five fiscal years ended December 31, 2002, which have been derived from our audited consolidated financial statements, and selected historical consolidated financial data for the three months ended June 30, 2003 and June 30, 2002, which have been derived from our unaudited consolidated financial statements.

Due to the effect of seasonal fluctuations and other factors affecting our operations, our financial results for the three-month period ended June 30, 2003 are not necessarily indicative of what our financial results will be for the year ending December 31, 2003. You should read the information set forth below in conjunction with our audited and unaudited consolidated financial statements included in our filings with the SEC incorporated by reference in this prospectus supplement.

	(Unaudited) At or for the three months ended June 30,		At or for the year ended December 31,				
	2003	2002	2002	2001	2000	1999	1998
	(Dollars in Millions)						
Revenues	$ 2,863	$ 2,899	$ 12,231	$ 7,999	$ 7,029	$ 6,320	$ 5,875
Depreciation and amortization	309	300	1,306	890	934	938	759
Net interest	206	250	961	556	529	572	601
Income taxes	18	168	529	474	377	395	304
Income before discontinued operations, accounting change and extraordinary item	9	208	640	655	599	568	441
Net income (loss)	(58)	208	553	646	599	568	411
Total assets	34,025	35,198	34,386	37,352	17,941	18,224	18,192
Preferred stock of consolidated subsidiaries not subject to mandatory redemption	335	335	335	480	648	648	660
Preferred stock of consolidated subsidiaries subject to mandatory redemption	19	20	19	66	41	136	175
Subsidiary-obligated mandatorily redeemable preferred securities	285	410	410	529	120	120	120
Long-term debt	11,239	11,077	10,872	12,865(a)	5,742	6,001	6,352

(a) 2001 includes approximately $1.4 billion of long-term debt (excluding long-term debt to be repaid within one year) included in Liabilities Related to Assets Pending Sale on our Consolidated Balance Sheet as of December 31, 2001.

Table of Contents

RISK FACTORS

Before investing in our common stock, you should carefully consider the risks described below, as well as the other information contained in this prospectus supplement and the accompanying prospectus or incorporated by reference herein or therein from our other filings with the SEC, to which we refer you for more detailed information on our business, industry, and financial and corporate structure. These are risks we consider to be material to your decision whether to invest in our common stock. There may be risks that you view in a different way than we do, and we may omit a risk that we consider immaterial, but you consider important. If any of the following risks occur, our business, cash flows, financial condition or results of operations could be materially harmed. In that case, the value or trading price of our common stock could decline, and you could lose part or all of your investment.

Risks Related to our Business

We may ultimately incur liability in connection with the August 14, 2003 regional outage or the restatement of earnings.

On August 14, 2003, eight states in the Northeast U.S. and southern Canada, covering a geographic area reportedly having approximately 50 million people, experienced a widespread power outage. That outage affected approximately 1.4 million customers in our service area. The causes of the outage have not yet been determined, although various industry, media and other reports have claimed that the outage began in our system. Congressional committees, state utility commissions and others have commenced investigations and inquiries into the causes and implications of the outage. In addition, a joint U.S.-Canada Task Force has been formed to investigate the events, with the U.S. Department of Energy coordinating the U.S. portion of this investigation.

A number of lawsuits have been filed against us in connection with the August 14th regional outage by individuals seeking court certification to represent a class of similarly situated persons who allegedly suffered damages as a result of such outage.

In addition to these legal proceedings and depending upon the outcomes of the governmental and other investigations of the outage, it is possible that additional regulatory proceedings or legal actions may be instituted against us. We intend to defend these actions vigorously and believe we have substantial defenses. We cannot, however, predict the outcome of any of these legal or regulatory proceedings. If it were ultimately determined that we have legal liability or are otherwise made subject to regulatory action in connection with the outage, it could have a material adverse effect on our financial condition and results of operations. See the discussion of the August 14, 2003 Regional Power Outage in the Recent Developments section above.

Several class-action lawsuits have also been filed against us in connection with the restatement of our 2002 and first quarter 2003 earnings and in one case also in connection with the outage by shareholders who claim to have suffered damages as a result of alleged federal securities law violations by us and our officers. On September 11, 2003, we received an informal data request from the SEC asking us to voluntarily provide information and documents related to our recent restatement of our 2002 annual financial statements. See the discussion under Proceedings Relating to the Recent Restatements and Other Events in the Recent Developments section above. We are unable to predict the outcome of any of these legal or regulatory proceedings.

Changes in commodity prices could decrease revenues from power we sell or increase the cost of power we buy.

While much of our generation serves customers under retail rates set by regulatory bodies, we also purchase and sell electricity in the competitive wholesale and retail markets. Increases in the costs of fuel for our generation facilities (particularly coal and natural gas) can affect our profit margins in both our competitive and non-competitive markets. Changes in the market prices of electricity, which are affected by changes in fuel costs and other factors, may impact our financial results and financial position by increasing the amount we pay to

Table of Contents

purchase power to supply PLR obligations in Ohio and Pennsylvania. Electricity and fuel prices may fluctuate substantially over relatively short periods of time for a variety of reasons, including:

- severe or unexpected weather or seasonality;
- changes in electricity usage;
- illiquidity in wholesale power and other markets;
- transmission or transportation constraints, inoperability or inefficiencies;
- availability of competitively priced alternative energy sources;
- changes in supply and demand for energy commodities;
- changes in power production capacity;
- outages at our power production facilities or those of our competitors;
- changes in production and storage levels of natural gas, lignite, coal, crude oil and refined products;
- natural disasters, wars, acts of sabotage, terrorist acts, embargoes and other catastrophic events; and
- federal, state, local and foreign energy, environmental and other regulation and legislation.

We could be particularly vulnerable if power prices rise while any of our generating units are out of service as a result of an unscheduled outage.

Although we use derivatives to hedge electricity and natural gas purchase prices over periods of up to three years, we could experience losses on those hedges when the underlying commodities are delivered. These losses would affect our net income at the time of delivery. In addition, we cannot hedge our entire exposure to market price volatility at any given time. We have long-term coal contracts for 85% of our expected coal supply in 2004 and 70% in 2005.

Our facilities may not operate as planned, which may increase our expenses and/or decrease our revenues and, thus, have an adverse effect on our financial performance.

Operation of power plants and transmission and distribution facilities involves many risks, including the breakdown or failure of equipment or processes, accidents, labor disputes, and performance below expected levels. In addition, weather-related incidents and other natural disasters can disrupt generation, transmission and distribution delivery systems. Because our transmission facilities are interconnected with those of third parties, the operation of our facilities may be adversely affected by unexpected or uncontrollable events occurring on the system of such a third party.

Operation of our power plants below expected capacity levels could result in lost revenues or increased expenses, including higher maintenance costs that we may not be able to recover from customers. Unplanned outages may require us to incur significant replacement power costs. Moreover, if we are unable to perform our contractual obligations, penalties or liability for damages may result. See the discussion of the Davis-Besse outage in the Risk Factor below.

Delays in the Davis-Besse restart process would require continued expenditures for replacement power.

As described in Recent Developments, our Davis-Besse Nuclear Power Station has been offline since the first quarter of 2002 when corrosion was found by FENOC in the reactor vessel head during a refueling outage. During this outage, we have incurred replacement power costs of approximately $15 million to $25 million per month. We are now conducting a pressure test of the reactor s coolant system, which is one of the final steps in the restart process prior to NRC approval. If this and other tests described above do not go as expected, or if there

Table of Contents

are significant delays in the NRC approval process, we will continue to incur substantial replacement power costs, which will continue to have an adverse effect on our cash flows and results of operations. In addition, if testing is not successful, we may be required to undertake additional and possibly costly remedial actions.

We may not be able to obtain adequate fuel supplies, which could adversely affect our ability to operate our facilities.

We purchase fuel from many suppliers. Disruption in the delivery of fuel, including disruptions as a result of weather, labor relations or environmental regulations affecting our fuel suppliers, could adversely affect our ability to operate our facilities, and thus, our results of operations.

Increasing costs associated with our defined benefits retirement plans and other employee related benefits may adversely affect our results of operations, liquidity and financial condition.

Pensions and other post-employment benefit (OPEB) obligation costs can vary widely from year-to-year due to changes in the market value of assets held by those plans and interest rates at the end of the year. In particular, sharp declines in equity markets since the second quarter of 2000 and a reduction in our assumed discount rate for pension and OPEB obligations have combined to produce a significant increase in those costs. Also, increases in health care payments and a related increase in projected trend rates have led to higher health care costs. Combined, these employee benefit expenses increased by $44.6 million in the second quarter of 2003 and $93.8 million in the first six months of 2003 compared to the same periods in 2002. While we do not expect to be required to make cash contributions to the plan in 2003 or 2004 under the Employee Retirement Income Security Act of 1974, substantial cash funding is probable in the later years.

Risks Related to Our Industry

We are subject to complex and changing government regulations that may require increased expense and/or changes in business strategy that could have a negative impact on our and our subsidiaries results of operations.

We are subject to comprehensive regulation by various federal, state and local regulatory agencies that significantly influences our operating environment. We are required to have numerous permits, approvals and certificates from the agencies that regulate our business. We believe the necessary permits, approvals and certificates have been obtained for our existing operations and that our business is conducted in accordance with applicable laws; however, we are unable to predict the impact on our operating results of future regulatory activities of any of these agencies. Changes in or reinterpretations of existing laws or regulations or the imposition of new laws or regulations may require us to incur additional expenses or change the way we run our businesses, and therefore adversely impact our results of operations.

As a registered public utility holding company, we are subject to regulation by the SEC under the Public Utility Holding Company Act of 1935. The SEC has determined that our electric facilities constitute a single integrated public utility system under the standards of the Holding Company Act. The SEC regulates us under the Holding Company Act with respect to our accounting, the issuance of securities, the acquisition and sale of utility assets, securities or any other interest in any business, and entering into, and performance of, service, sales and construction contracts among our subsidiaries, and certain other matters. The Holding Company Act also limits the extent to which we may engage in non-utility businesses or acquire additional utility businesses. Each of our operating utility subsidiaries retail rates, conditions of service, issuance of securities and other matters are subject to regulation in the state in which it operates in Ohio by the PUCO, in New Jersey by the

NJBPU and in Pennsylvania by the Pennsylvania Public Utility Commission. With respect to their wholesale and interstate electric operations and rates, those subsidiaries are subject to regulation, including regulation of their accounting policies and practices, by the Federal Energy Regulatory Commission (FERC). Under Ohio law, municipalities

Table of Contents

may regulate rates, subject to appeal to the PUCO if not acceptable to the utility. In addition, our subsidiary American Transmission Systems Incorporated, is subject to regulation by the FERC with respect to its rates and operation of interstate transmission. Decisions by any of these regulatory bodies could affect us adversely for the reasons described above.

Separate energy bills have been passed by the Senate and the House of Representatives and have been referred to a conference committee to reconcile differing provisions. Among other things, each of the bills provides for the repeal of the Holding Company Act effective not earlier than 12 months or later than 18 months from the date legislation is ultimately enacted. The proposed legislation would, among other things, also confer on FERC certain additional regulatory authority over electric utilities. We cannot predict how our business may be affected by the enactment of the proposed legislation or, in particular, the repeal of the Holding Company Act.

Restructuring and deregulation in the electric utility industry may result in increased costs that could adversely affect our and our utility subsidiaries business and results of operations.

As a result of the actions taken by state legislative bodies over the last few years, major changes in the electric utility business have occurred and are continuing to take place in parts of the United States, including Ohio, New Jersey and Pennsylvania, where our utility subsidiaries operate. These changes have resulted in fundamental alterations in the way integrated utilities and holding company systems like ours conduct their business.

The FERC and U.S. Congress are also proposing significant changes in the structure and conduct of our business. If the restructuring and deregulation efforts result in increased competition or unrecoverable costs, our business and results of operations may be adversely affected. We cannot predict the extent and timing of further efforts to restructure, deregulate or re-regulate us or the industry.

In Ohio, New Jersey and Pennsylvania, laws applicable to electric industry restructuring and the respective state regulatory plans of our operating electric utility subsidiaries in those states include provisions:

- imposing PLR obligations on electric distribution utilities for customers who have not selected other suppliers in those subsidiaries service areas,
- allowing customers to select other generation suppliers, and
- deregulating those subsidiaries electric generation businesses.

Our regulated utility subsidiaries in Ohio and Pennsylvania are required to provide electric service to customers who have not selected other suppliers at capped rates, which may be below current market rates and below our cost of supplying this power. Our regulated utility subsidiaries in those states source power from electricity supplied through our competitive energy services subsidiary, FirstEnergy Solutions Corp., and grandfathered wholesale and non-utility generator contracts. FirstEnergy Solutions in turn obtains power from generation assets owned or leased from our Ohio operating subsidiaries by FirstEnergy Generation, or through open market purchases. Because PLR rates in Ohio and Pennsylvania are capped, we bear the risks associated with increases in the costs of procuring power necessary to satisfy those obligations, whether those increases are experienced directly by us through increases in fuel prices or environmental compliance costs, for example, or reflected in the increased market prices we may pay for purchased power from time to time. The operating subsidiaries in Ohio and Pennsylvania also bear the risk that customers originally choosing alternative unaffiliated suppliers may switch back to us, which may increase

demand above our available generation or contractual capacity and force us to purchase additional power on the open market at potentially unfavorable prices. In addition, increases in these supply costs can no longer be recovered from customers as was permitted prior to state utility restructuring. If these supply costs were to increase significantly and prove unrecoverable, our profit margins may significantly decrease with an adverse effect on our results of operations.

Table of Contents

The Ohio transition plan stipulation also granted preferred access to marketers, brokers and aggregators serving the retail customers of our Ohio utility subsidiaries to 1,120 MW of our generation capacity through 2005 at fixed prices set below the shopping credits of the applicable utility subsidiaries. To the extent any of that capacity is used by parties not affiliated with us, we may incur potentially significant lost opportunity costs if we could have sold such capacity at more favorable wholesale prices or used it in satisfaction of PLR obligations in preference to higher priced purchased power obtained for that purpose.

Under our Ohio transition plan, customer prices for generation are frozen through the five-year market development period that ends at the end of 2005, except for certain limited statutory exceptions including a 5% reduction in the price of generation for residential customers. Following the end of this period, we will be subject to prevailing market prices for electricity. If those market prices are substantially less than our current frozen rates, our results of operations and cash flows will be adversely affected.

The different regional power markets in which we compete or will compete in the future have changing transmission regulatory structures, which could affect our performance in these regions.

Our results are likely to be affected by differences in the market and transmission regulatory structures in the various regional power markets in which we participate. Jersey Central, Metropolitan Edison and Pennsylvania Electric currently own and operate facilities within the PJM RTO. The price of obtaining capacity and energy in the PJM-administered markets has a direct impact on the supply costs incurred by those companies. Cleveland Electric, Ohio Edison, Pennsylvania Power and Toledo Edison are transferring control of their transmission facilities to MISO effective October 1, 2003. The MISO expects to implement its own energy markets on or about March 31, 2004. The rules governing the various regional power markets may also change from time to time, which could affect our costs or revenues. Because it remains unclear which companies will be participating in the various regional power markets, how RTOs will develop or what regions they will cover, we are unable to assess fully the impact that transmission requirements may have on our business.

Management is unable to predict the outcome of these transmission regulatory actions and related proceedings or their impact on the timing and operation of RTOs, our transmission operations or our future results of operations and cash flows.

We are exposed to risks of nuclear generation, which involve issues and uncertainties relating to health and safety, the adequacy of insurance coverage and nuclear plant decommissioning.

We currently own four nuclear generating units which are operated by our subsidiary, FENOC: Beaver Valley Power Station Units 1 and 2; Davis-Besse Nuclear Power Station (which is out of service awaiting regulatory authorization to restart); and Perry Nuclear Power Plant Unit 1. These units comprise a total of 3,795 MW, or 28.3% of our total generating capacity, of which the Davis-Besse Plant accounts for 883 MW. We are, therefore, subject to the risks of nuclear generation, which include the following:

- the potential harmful effects on the environment and human health resulting from the operation of nuclear facilities and the storage, handling and disposal of radioactive materials;

- limitations on the amounts and types of insurance commercially available to cover losses that might arise in connection with our nuclear operations or those of others in the United States;

- uncertainties with respect to contingencies and assessment amounts if insurance coverage is inadequate; and

- uncertainties with respect to the technological and financial aspects of decommissioning nuclear plants at the end of their licensed operation.

The NRC has broad authority under federal law to impose licensing and safety-related requirements for the operation of nuclear generation facilities. In the event of non-compliance, the NRC has the authority to impose

fines or shut down a unit, or both, depending upon its assessment of the severity of the situation, until compliance is achieved. Revised safety requirements promulgated by the NRC could necessitate substantial capital expenditures at nuclear plants, including ours.

Any of our nuclear plants could face similar prolonged outages for unforeseen repair issues such as we are experiencing with our Davis-Besse Plant (see Progress Toward Davis-Besse Restart in the Recent Developments section above) or could experience a serious nuclear incident at any time. If such an incident did occur, it could cause us to incur significant repair expenses, which could adversely affect our results of operations, cash flows or financial condition. In addition, a major incident at any nuclear facility anywhere in the world could cause the NRC to limit or prohibit the operation or licensing of any domestic nuclear unit. Any such action could require us to purchase replacement power on the open market. Depending on prevailing market prices for replacement power, our financial condition, cash flows and results of operations could be materially adversely affected if this were to occur.

In addition, under the public liability insurance provided pursuant to the Price Anderson Act, we could be required to pay additional amounts in the event that losses in excess of private insurance occur as a result of a nuclear incident at any U.S. nuclear unit. As members of Nuclear Electric Insurance Limited, or NEIL, our subsidiaries owning or leasing interests in a nuclear facility are currently subject to assessments of up to $68.4 million under insurance policies that cover property damage, decontamination cost and replacement power costs for incidents during a policy year at any NEIL-member company s nuclear facility if losses exceed the accumulated funds available to the insurer.

Our operating results are affected by weather conditions and may fluctuate on a seasonal and quarterly basis.

Weather conditions directly influence the demand for electric power. In our service territories, demand for power peaks during the hot summer months, with market prices also typically peaking at that time. As a result, our overall operating results may fluctuate on a seasonal and quarterly basis. In addition, we have historically sold less power, and consequently earned less revenue, when weather conditions are milder. Severe weather, such as tornadoes, hurricanes, storms and droughts, may cause outages and property damage which may require us to incur additional expenses that are generally not insured and that we would not be able to recover from customers. The effect of the failure of our facilities to operate as planned, as described above, would be particularly burdensome during a peak demand period.

Changes in technology may significantly affect our business by making our power plants less competitive.

A key element of our business model is that generating power at central power plants achieves economies of scale and produces power at relatively low cost. There are other technologies that produce power, most notably fuel cells, microturbines, windmills and photovoltaic (solar) cells and other forms of so-called distributed generation systems. It is possible that advances in technology could reduce the cost of alternative methods of producing power to a level that is competitive with that of most central power station electric production. If this were to happen and if these technologies achieved economies of scale, the value of our power plants could be reduced and, unless we also developed these technologies, our market share could be eroded. Changes in technology could also alter the channels through which retail electric customers buy power, thereby potentially decreasing demand for our product and harming our financial results.

Our costs of compliance with environmental laws are significant, and the cost of compliance with future environmental laws could harm our cash flows and profitability.

Our operations are subject to extensive federal, state and local environmental statutes, rules and regulations. Compliance with these legal requirements requires us to incur significant costs toward environmental monitoring, installation of pollution control equipment, emission fees, maintenance, upgrading, remediation and permitting at all of our facilities. These expenditures have been significant in the past and may increase in the future,

Table of Contents

especially with respect to our coal-fired generating plants, which comprise 7,339 MW, or 54.8% of our total capacity. If the costs of compliance with existing environmental regulations do increase, it could adversely affect our business and our results of operations and financial position. Moreover, environmental laws are subject to change, which may materially increase our costs of compliance or accelerate the timing of these capital expenditures. Because of the deregulation of generation, we may not recover through rates additional capital or other costs incurred for such compliance. Our compliance strategy, although reasonably based on the information available to us today, may not successfully address the relevant standards and interpretations in the future.

Governmental authorities may assess penalties on us for failures to comply with environmental laws and regulations.

If we fail to comply with environmental laws and regulations, even if caused by factors beyond our control or based on new interpretations of longstanding requirements, that failure may result in the assessment of civil or criminal penalties and fines against us. The Sammis Plant litigation filed by the EPA and various states highlights the environmental risks faced by generating facilities, in general, and coal-fired generating facilities, in particular.

In 1999 and 2000, the EPA issued Notices of Violation or a Compliance Order to nine utilities covering 44 power plants, including our W. H. Sammis Plant. In addition, the U.S. Department of Justice filed eight civil complaints against various investor-owned utilities, which included a complaint against Ohio Edison and Pennsylvania Power in the U.S. District Court for the Southern District of Ohio. The Notices of Violation and complaint allege violations of the Clean Air Act based on operation and maintenance of the Sammis Plant dating back to 1984. The complaint requests permanent injunctive relief to require the installation of best available control technology and civil penalties of up to $27,500 per day of violation.

On August 7, 2003, the United States District Court for the Southern District of Ohio ruled that 11 projects undertaken at Ohio Edison s and Penn Power s W.H. Sammis Plant between 1984 and 1998 required Ohio Edison to obtain pre-construction permits and, prior to construction, new expected plant emission levels to determine whether more stringent emission standards under the Clean Air Act were applicable. The ruling concludes the liability phase of the case. The remedy phase, which is currently scheduled for trial beginning on April 19, 2004, will address civil penalties and what, if any, actions should be taken to further reduce emissions at the plant. The potential penalties that may be imposed, as well as the capital expenditures necessary to comply with substantive remedial measures that may be required, would not be recoverable through rates and may have a material adverse impact on our financial condition and results of operations. See the discussion of the Sammis Plant Litigation under Recent Developments above.

Risks Related to Our Financial and Corporate Structure

Our business is dependent on our ability to successfully access capital markets. Our inability to access capital may limit our ability to execute our business plan or pursue capital improvements.

We rely on access to both short-term money markets and longer-term capital markets as a source of liquidity for capital requirements not satisfied by the cash flow from our operations. If we are not able to access capital at competitive rates, our ability to execute our strategy will be adversely affected. Certain market disruptions or a downgrade in any of our credit ratings may increase our cost of borrowing or adversely affect our ability to access one or more financial markets. Such disruptions could include:

further economic downturns;

the bankruptcy of an unrelated energy company;

capital market conditions generally;

market prices for electricity and gas;

- terrorist attacks or threatened attacks on our facilities; or
- the overall health of the utility industry.

Restrictions on our ability to access financial markets may affect our ability to execute our business plan as scheduled. An inability to access capital may limit our ability to pursue capital improvements or acquisitions that we may otherwise rely on for future growth.

Increases in our debt-to-equity ratio, commonly referred to as leverage, could adversely affect our competitive position, business planning and flexibility, financial condition, ability to service our debt obligations and to pay dividends on our common stock, and ability to access capital on favorable terms.

Our cash requirements arise primarily from the capital-intensive nature of our electric utilities. In addition to operating cash flows, we rely heavily on our short-term credit facilities and long-term debt. Our credit lines impose various limitations that could impact our liquidity and result in a significant adverse impact on our business strategy and our ongoing financing needs. Changes in economic conditions could result in higher interest rates, which would increase our interest expense on our floating rate debt and reduce funds available to us for our current plans. Additionally, an increase in our leverage for any reason could adversely affect us by:

- increasing the cost of future debt financing;
- adversely impacting our ability to pay dividends on our common stock at the current rate;
- making it more difficult for us to satisfy our existing financial obligations;
- limiting our ability to obtain additional financing, if needed, for working capital, acquisitions, debt service requirements or other purposes;
- increasing our vulnerability to adverse economic and industry conditions;
- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our debt, which would reduce funds available to us for operations, future business opportunities or other purposes; and
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we compete.

A downgrade in our credit rating could negatively affect our ability to access capital and cause the triggering of collateralization requirements under certain supply contracts. In addition, our efforts to maintain our ratings may dilute outstanding common stock and earnings per share.

Standard & Poor s and Moody s Investors Service rate our senior unsecured debt at BBB- and Baa2, respectively. These ratings indicate the agency s assessment of our ability to pay interest, distributions and principal on such securities. In addition, Standard & Poor s recently placed us on credit watch with negative implications, and Moody s placed us under review for possible downgrade. Moody s, however, has stated that, anticipating that the Davis-Besse plant will be returned to service in the near future and that we will continue to significantly reduce our debt and improve our financial profile, it does not expect that the review will result in our senior unsecured debt falling below investment grade. If Moody s or Standard & Poor s were to downgrade our long-term rating, particularly below investment grade, our ability to access the capital markets would be negatively affected and our borrowing costs would increase, which could adversely impact our financial results. In addition, we would likely be required to pay a higher interest rate in future financings, and our potential pool of investors and funding sources could decrease. Standard & Poor s has indicated that in order for us to maintain our investment grade credit ratings, we will need to issue additional equity in the near term. However, the issuance of additional equity, whether in this offering or future offerings, if any, will have a dilutive effect on our equity holders and our earnings-per-share results.

Various commodity supply and financial contracts contain credit enhancement provisions in the form of cash collateral or letters of credit in the event of a reduction in credit rating below investment grade.

Table of Contents

Requirements of these provisions vary and typically require a rating reduction to below investment grade by Standard & Poor s or Moody s to trigger additional collateralization by us. As of September 1, 2003, rating-contingent collateralization exposure totaled approximately $475 million. We monitor these collateralization provisions and calculate our total exposure on a regular basis.

Our existing credit facilities may mature and not be fully replaced with additional short-term borrowing capacity or our current levels of borrowing capacities may be otherwise unavailable to us in certain circumstances.

Our $1.0 billion 364-day revolving credit facility, of which $840 million is currently outstanding, matures November 7, 2003. Although we intend to syndicate a new 364-day facility to replace it, there can be no assurances that we will be successful in doing so in the near future or that the terms of any renewal will be as favorable as our current terms. If we do not renew or replace this facility, we will be required to repay on the maturity date the full amount then outstanding under such facility, and our liquidity may be adversely affected. In addition, a $450 million standby secured credit facility at Ohio Edison, which is presently undrawn, terminates as of December 31, 2003, and Ohio Edison does not plan to renew or replace this facility.

Our cash flow, ability to pay dividends and ability to meet debt obligations largely depend on the performance of our subsidiaries and affiliates.

We are a holding company and conduct our operations primarily through subsidiaries. Substantially all of our consolidated assets are held by such subsidiaries. Accordingly, our cash flow, our ability to pay dividends on our common stock and our ability to meet our obligations to creditors are largely dependent upon the earnings of these subsidiaries and the distribution or other payment of such earnings to us in the form of dividends. The subsidiaries are separate and distinct legal entities and have no obligation to pay any amounts due on any debt or equity securities that we issue or to make any funds available for such payment.

Because we are a holding company, our unsecured obligations will be effectively subordinated to all existing and future liabilities of our subsidiaries. Therefore, our rights and the rights of our shareholders and creditors to participate in the assets of any subsidiary in the event that such a subsidiary is liquidated or reorganized, will be subject to the prior claims of the subsidiary s creditors. To the extent that we may ourselves be a creditor with recognized claims against any such subsidiary, our claims would still be effectively subordinated to any security interest in, or mortgages or other liens on, the assets of the subsidiary and would be subordinated to any indebtedness or other liabilities of the subsidiary senior to that held by us. Although certain agreements to which we and our subsidiaries are parties limit the ability to incur additional indebtedness, we and our subsidiaries retain the ability to incur substantial additional indebtedness and other liabilities.

Your remedies against Arthur Andersen may be limited.

Under Section 11(a)(4) of the Securities Act of 1933, if any audited financial statements included in a registration statement contain any untrue statement of material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, an investor may sue the independent accountant who certified such financial statements only if such accountant has consented to being named as having certified such financial statements. Because Arthur Andersen has not provided its written consent to our financial statements and schedules for the years ended December 31, 2001 and 2000 included herein, you will not be able to sue Arthur Andersen pursuant to Section 11(a)(4) of the Securities Act and therefore your right of recovery under that section will be limited as a result of the lack of consent. See Experts in the accompanying prospectus.

Table of Contents

USE OF PROCEEDS

The net proceeds to be received by us from this offering of common stock, after deducting underwriting discounts and commissions and our estimated expenses, are expected to be approximately $812.3 million, or $934.2 million if the underwriters option to purchase additional shares is exercised in full. We anticipate using the aggregate net proceeds from this offering to repay outstanding short-term debt. If and to the extent that the underwriters option to purchase additional shares is exercised, we intend to repay additional short-term debt and a portion of the outstanding advances under our 3-year credit facility. This facility matures on November 29, 2004 and currently has outstanding aggregate advances of $315 million with interest rates of 2.25% to 2.75% per annum. We may also use a portion of any additional net proceeds for an advance to Cleveland Electric to repay a portion of its First Mortgage Bonds, 9 1/2% Series due 2005.

COMMON STOCK DIVIDENDS AND PRICE RANGE

Our common stock is listed and traded on The New York Stock Exchange under the symbol FE . The high and low sale prices, as reported in The Wall Street Journal for New York Stock Exchange Composite Transactions, and the cash dividends paid, per share of our common stock for each quarter of 2003, 2002 and 2001 were as follows:

	Price Range		Cash Dividends
	High	**Low**	**Paid Per Share**
2001			
First Quarter	$ 31.75	$ 25.10	$ 0.375
Second Quarter	32.20	26.80	0.375
Third Quarter	36.28	29.60	0.375
Fourth Quarter	36.98	32.85	0.375
2002			
First Quarter	$ 39.12	$ 30.30	$ 0.375
Second Quarter	35.12	31.61	0.375
Third Quarter	34.78	24.85	0.375
Fourth Quarter	33.85	25.60	0.375
2003			
First Quarter	$ 35.19	$ 27.04	$ 0.375
Second Quarter	38.90	30.57	0.375
Third Quarter (through September 11, 2003)	38.75	25.82	0.375

On September 11, 2003, the last reported sale price of our common stock on The New York Stock Exchange was $31.10 per share. On September 11, 2003, there were 297,636,276 shares of our common stock outstanding held by 156,266 record holders. See Description of Common Stock in the accompanying prospectus.

Dividends on FirstEnergy common stock are paid as declared by the Board of Directors and are typically paid on the first day of March, June, September and December. Future dividends will depend on FirstEnergy s future earnings and the ability of FirstEnergy s regulated subsidiaries to pay cash dividends to FirstEnergy which are subject to certain regulatory limitations and also subject to charter and indenture limitations for some of those subsidiaries that may, in general, restrict the amount of retained earnings available for these dividends. These provisions, however, do not currently materially restrict payment of these dividends. At the current dividend rate, after giving effect to the issuance of the shares of common stock offered hereby, our quarterly dividend payments on our outstanding common stock will be approximately $122 million.

The FirstEnergy Corp. Stock Investment Plan permits the holders of our common stock, our employees and others to invest optional cash payments subject to limitations in amount and reinvest dividends in additional shares of our common stock. The prospectus describing the FirstEnergy Corp. Stock Investment Plan and an enrollment form are available upon request to: FirstEnergy Corp., Investor Services, 76 South Main Street, Akron, Ohio 44308-1890; toll free: 1-800-736-3402.

Table of Contents

CAPITALIZATION

The following table shows our currently payable long-term debt and preferred stock, short-term debt and capitalization on an actual basis and as adjusted to reflect this offering and the use of the proceeds from this offering as set forth under Use Of Proceeds . You should read this table in conjunction with our selected financial data presented elsewhere in this prospectus supplement along with our consolidated financial statements and related notes incorporated by reference into the accompanying prospectus. See Where You Can Find More Information.

	As of June 30, 2003	
	Actual	**As Adjusted**[(1)]
	(Dollars in Millions)	
Currently payable long-term debt and preferred stock	$ 1,328	$ 1,328
Short-term debt	1,045	233
Capitalization:		
Long-term debt	$ 11,239	$ 11,239
Preferred stock of consolidated subsidiaries not subject to mandatory redemption	335	335
Preferred stock of consolidated subsidiaries subject to mandatory redemption	19	19
Subsidiary-obligated mandatorily redeemable preferred securities	285	285
Common stockholders equity	7,125	7,937
Total capitalization	$ 19,003	$ 19,815

(1) As adjusted to reflect the issuance of the shares offered in this prospectus supplement, assuming no exercise of the underwriters option to purchase additional shares, and the repayment of $812.3 million of short-term debt.

Table of Contents

UNDERWRITERS

Under the terms of, and subject to the conditions contained in, an underwriting agreement dated the date hereof, the underwriters named below, for whom Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated are acting as representatives, have severally agreed to purchase, and we have agreed to sell to them, the following respective principal amounts of the shares of common stock:

Name	Number of Shares
Citigroup Global Markets Inc.	7,560,000
Morgan Stanley & Co. Incorporated	7,560,000
Barclays Capital Inc.	2,296,000
J.P. Morgan Securities Inc.	2,296,000
Wachovia Capital Markets, LLC	2,296,000
BNY Capital Markets, Inc.	1,078,000
Credit Suisse First Boston LLC	1,078,000
Lehman Brothers Inc.	1,078,000
UBS Securities LLC	1,078,000
McDonald Investments Inc.	280,000
NatCity Investments, Inc.	280,000
PNC Capital Markets, Inc.	280,000
SBK Brooks Investments Corp.	280,000
Scotia Capital (USA) Inc.	280,000
The Williams Capital Group, L.P.	280,000
Total	28,000,000

The underwriters are offering the shares of common stock subject to their acceptance of the shares from us. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of common stock offered hereby are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the shares of common stock offered hereby if any such shares are purchased. However, the underwriters are not required to take or pay for the shares covered by the underwriters over-allotment option described below.

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus supplement, to purchase up to an aggregate of 4,200,000 additional shares of common stock at the public offering price listed on the cover page of this prospectus supplement, less underwriting discounts and commissions. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of common stock offered hereby. To the extent the option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase about the same percentage of the additional shares of common stock as the amount listed next to the underwriter s name in the preceding table bears to the total amount of shares of common stock listed next to the names of all underwriters in the preceding table.

We and each of our directors and executive officers have agreed, for a period of 90 days after the date of this prospectus supplement, to not, without the prior written consent of Citigroup Global Markets Inc. and Morgan Stanley & Co. Incorporated, as representatives of the underwriters, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, or enter into any agreement to sell, any common stock or any security convertible into or exchangeable or exercisable for common stock, or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of our common stock, whether any transaction

described above is to be settled by delivery of shares of common stock, such other securities, in cash or otherwise, other than shares of our common stock or options for shares of our common stock issued pursuant to or sold in connection with any employee benefit, dividend reinvestment, stock option and stock purchase plans.

Table of Contents

The following table summarizes the underwriting discounts and commissions to be paid to the underwriters by us. These amounts are shown assuming both no exercise and full exercise of the underwriters option to purchase 4,200,000 additional shares.

Paid by FirstEnergy Corp.	No Exercise	Full Exercise
Per Share	$0.975	$0.975
Total	$ 27,300,000	$ 31,395,000

Shares sold by underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus supplement. Any shares sold by the underwriters to securities dealers may be sold at a discount from the initial public offering price of up to $0.59 per share from the initial public offering price. If all the shares are not sold at the initial public offering price, the representatives may change the offering price and other selling terms.

In order to facilitate the offering of the common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the common stock. Specifically, the underwriters may sell more shares than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of shares available for purchase by the underwriters under the over-allotment option. The underwriters can close out a covered short sale by exercising the over-allotment option or purchasing shares in the open market. In determining the source of shares to close out a covered short sale, the underwriters will consider, among other things, the open market price of shares compared to the price available under the over-allotment option. The underwriters may also sell shares in excess of the over-allotment option, creating a naked short position. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market after pricing that could adversely affect investors who purchase in the offering. As an additional means of facilitating the offering, the underwriters may bid for, and purchase, shares of common stock in the open market to stabilize the price of the common stock. The underwriting syndicate may also reclaim selling concessions allowed to an underwriter or a dealer for distributing the common stock in the offering, if the syndicate repurchases previously distributed common stock to cover syndicate short positions or to stabilize the price of the common stock. These activities may raise or maintain the market price of the common stock above independent market levels or prevent or retard a decline in the market price of the common stock. The underwriters are not required to engage in these activities and may end any of these activities at any time.

In the ordinary course of their business, certain of the underwriters and their respective affiliates have provided, or may in the future provide, investment banking, commercial banking and other financial services to us or our subsidiaries, including underwriting, the provision of financial advice and the extension of credit. These underwriters and their affiliates have received, and may in the future receive, customary fees and commissions for their services.

Affiliates of certain of the underwriters are lenders under one or more of our or our subsidiaries existing credit facilities. Because affiliates of certain of the underwriters may receive more than 10% of the net proceeds of this offering, this offering is being made in compliance with the applicable provisions of Rule 2710 of the Conduct Rules of the National Association of Securities Dealers.

We estimate that our total expenses of this offering of common stock, excluding underwriting discounts and commissions, will be approximately $423,000.

This prospectus supplement and accompanying prospectus in electronic format will be made available on a web site maintained by one or more of the underwriters and may also be made available on web site maintained by other underwriters. Other than this prospectus supplement and the

accompanying prospectus in electronic format, the information on any such web site, or accessible through any such web site, is not part of this

Table of Contents

prospectus supplement and the accompanying prospectus. The underwriters may agree to allocate a number of shares for sale to their online brokerage account holders. Internet allocations will be allocated by the underwriters that will make Internet distributions on the same basis as other allocations.

We and the underwriters have agreed to indemnify each other against a variety of liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

Table of Contents

Prospectus

$2,000,000,000

FirstEnergy Corp.

Debt Securities

Common Stock

Share Purchase Contracts

Share Purchase Units

We may offer and issue debt securities and shares of our common stock from time to time. The debt securities may be convertible into or exchangeable for shares of our common stock or other securities. We may offer contracts to purchase our common stock from time to time either separately or as a part of a unit along with our debt securities or debt obligations of third parties. This prospectus provides a general description of these securities and the general manner in which we will offer them. The specific terms of each security, and the specific manner in which we will offer them, will be determined at the time they are sold and will be included in a prospectus supplement. This prospectus may not be used to sell securities unless accompanied by a prospectus supplement that describes those securities.

Our common stock is listed on the New York Stock Exchange under the symbol FE . The last reported sale price of our common stock on August 26, 2003 was $29.19 per share.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

We may offer these securities in amounts, at prices, and on terms determined at the time of the offering. We may sell the securities directly to you, through agents we select, or through underwriters and dealers we select. If we use agents, underwriters or dealers to sell these securities, we

will name them and describe their compensation in a prospectus supplement.

The date of this prospectus is August 29, 2003.

Table of Contents

TABLE OF CONTENTS

	Page
ABOUT THIS PROSPECTUS	3
CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS	3
FIRSTENERGY CORP.	4
USE OF PROCEEDS	5
RATIO OF EARNINGS TO FIXED CHARGES	5
DESCRIPTION OF DEBT SECURITIES	5
DESCRIPTION OF COMMON STOCK	13
DESCRIPTION OF SHARE PURCHASE CONTRACTS AND SHARE PURCHASE UNITS	16
PLAN OF DISTRIBUTION	17
LEGAL MATTERS	19
EXPERTS	19
WHERE YOU CAN FIND MORE INFORMATION	19

Table of Contents

You should rely only on the information contained in, or incorporated by reference in, this prospectus and the applicable prospectus supplement. No person is authorized to give any information or make any representation not contained, or incorporated by reference, in this prospectus and the applicable prospectus supplement, and, if given or made, such information or representation must not be relied upon as having been authorized by FirstEnergy. This prospectus and the applicable prospectus supplement are not offers to sell or a solicitation of offers to buy any of the securities offered hereby or thereby in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. Neither the delivery of this prospectus or the applicable prospectus supplement nor any sale made hereunder or thereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus. You should not assume that the information contained in this prospectus is accurate as of any date other than the date on the front of this prospectus.

Unless the context requires otherwise, references to we, us, our and FirstEnergy refer specifically to FirstEnergy Corp. and its subsidiaries.

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, referred to in this prospectus as the SEC, utilizing a shelf registration process. Under this shelf process, we may issue, from time to time, up to $2,000,000,000 of debt securities, shares of our common stock and share purchase contracts and related share purchase units. Each time we issue securities under the registration statement we will provide a prospectus supplement that will contain specific information about the terms of the offering. The prospectus supplement may also add, update or change information contained in this prospectus. You should read this prospectus, the applicable prospectus supplement and the additional information below under the heading Where You Can Find More Information.

Our principal executive office is located at 76 South Main Street, Akron, Ohio 44308-1890; telephone: (800) 646-0400.

For more detailed information about the securities, you can read the exhibits to the registration statement. Those exhibits have been filed with the registration statement or incorporated by reference from our other filings with the SEC as indicated in the registration statement s list of exhibits.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

We caution you that this prospectus and the periodic reports and other documents that are incorporated by reference in this prospectus contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. They are statements about future performance or results (such as statements including, but not limited to, the terms potential, estimate, believe, expect and anticipate and similar words) when we discuss our financial condition, results of operations and business. Forward-looking statements involve certain risks, assumptions and uncertainties. They are not guarantees of future performance. Factors may cause actual results to differ materially from those expressed in these forward-looking statements. These factors include:

- the speed and nature of increased competition and deregulation in the electric utility industry;

changes in markets for energy services;

changing energy and commodity market prices;

replacement power costs being higher than anticipated or inadequately hedged;

maintenance costs being higher than anticipated;

the availability and cost of capital;

legislative and regulatory changes (including revised environmental requirements);

adverse regulatory or legal decisions;

inability of the Davis-Besse Nuclear Power Station to restart (including because of any inability to obtain a favorable final determination from the Nuclear Regulatory Commission) in the fall of 2003;

the outcome of various investigations into the causes of the August 14, 2003 power outage and the outcome, cost and other effects of present and potential legal and administrative proceedings and claims related to that outage;

economic or weather conditions affecting future sales and margins; and

the inability to accomplish or realize anticipated benefits of strategic goals.

We believe that the expectations reflected in our forward-looking statements are reasonable. However, we cannot assure you that these expectations will prove to be correct. You should consider the factors we have noted above as you read the forward-looking statements in this prospectus.

All subsequent written and oral forward-looking statements attributable to FirstEnergy or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We undertake no obligation to release publicly any revisions to such forward-looking statements to reflect events or circumstances after the date of this prospectus or to reflect the occurrence of unanticipated events.

FIRSTENERGY CORP.

FirstEnergy Corp. was organized under the laws of the State of Ohio in 1996. On November 7, 2001, we merged with GPU, Inc. and we were the surviving company. We are a registered public utility holding company, and as such are subject to regulation by the SEC under the Public Utility Holding Company Act of 1935. Our principal business is the holding, directly or indirectly, of all of the outstanding common stock of our principal electric utility operating subsidiaries, Ohio Edison Company, The Cleveland Electric Illuminating Company, Pennsylvania Power Company, The Toledo Edison Company, Jersey Central Power & Light Company, Metropolitan Edison Company and Pennsylvania Electric Company. Our other principal operating subsidiaries include American Transmission Systems, Incorporated, FirstEnergy Solutions Corp., FirstEnergy Facilities Services Group, LLC, MYR Group, Inc., MARBEL Energy Corporation, FirstEnergy Nuclear Operating Company and GPU Power, Inc. American Transmission Systems owns and operates transmission facilities located within the service areas of Ohio Edison, Cleveland Electric, Toledo Edison and Pennsylvania Power. FirstEnergy Solutions provides energy-related products and services and, through its FirstEnergy Generation Corp. subsidiary, operates our non-nuclear generation business. FirstEnergy Nuclear Operating operates the electric utility subsidiaries nuclear generating facilities. FirstEnergy Facilities Services Group is the parent company of several heating, ventilating, air conditioning and energy management companies, and MYR is a utility infrastructure construction service company. MARBEL is a fully integrated natural gas company. MARBEL holds FirstEnergy s interest in Great Lake Energy Partners, LLC. GPU Power, Inc. owns and operates generation facilities in Latin America.

Our consolidated revenues are primarily derived from electric service provided by our electric utility subsidiaries. The combined service areas of our electric utility operating subsidiaries encompass approximately 37,200 square miles in Ohio, Pennsylvania and New Jersey. The areas they serve have a combined population of approximately 11.0 million.

As of July 31, 2003, Ohio Edison, Cleveland Electric, Pennsylvania Power, Toledo Edison and FirstEnergy Solutions had 13,387 megawatts (MW) of generation capacity (including the 883 MW of the Davis-Besse Nuclear Power Station, which is currently not in service) to meet

customer needs. Pursuant to our corporate separation plan implemented under Ohio utility restructuring legislation, we transferred operational control of the non-nuclear generation assets of those operating subsidiaries to FirstEnergy Generation as of January 1, 2001.

As a result of restructuring legislation in Pennsylvania and New Jersey, GPU had divested essentially all of its generation assets prior to the time we agreed to merge with GPU in August 2000. However, the Pennsylvania and New Jersey restructuring orders require Jersey Central, Pennsylvania Electric and Metropolitan Edison, operating subsidiaries of ours that were formerly owned by GPU, to act as providers of last resort (PLR) by supplying electricity to customers who do not choose an alternate supplier. Jersey Central has entered into contracts for the supply of electricity to meet its PLR obligations through May 31, 2004 (and for one-third of its

requirements through May 31, 2006) pursuant to an auction approved by the New Jersey Board of Public Utilities. Effective September 1, 2002, Metropolitan Edison and Pennsylvania Electric assigned their PLR responsibility to FirstEnergy Solutions through a wholesale power sale agreement which expires in December 2003 and may be extended for each successive calendar year. Under the terms of the power sale agreement, FirstEnergy Solutions assumed the supply obligation and the energy supply profit and loss risk for the portion of power supply requirements not self-supplied by Metropolitan Edison and Pennsylvania Electric under their non-utility generation (NUG) contracts and other power contracts with nonaffiliated third party suppliers. This arrangement reduces Metropolitan Edison s and Pennsylvania Electric s exposure to high wholesale power prices by making power available at fixed prices for their uncommitted PLR energy costs during the term of the agreement to FirstEnergy Solutions. FirstEnergy Solutions has hedged most of Metropolitan Edison s and Pennsylvania Electric s unfulfilled PLR obligations through 2005. Metropolitan Edison and Pennsylvania Electric will continue to defer the cost differences between NUG contract rates and the rates reflected in their capped generation rates.

Our principal executive office is located at 76 South Main Street, Akron, Ohio 44308-1890; telephone: (800) 646-0400.

USE OF PROCEEDS

Unless we state otherwise in any prospectus supplement, we may use the net proceeds we receive from any sale of the offered securities for general corporate purposes, including repaying our debt obligations and making equity contributions to our subsidiaries.

RATIO OF EARNINGS TO FIXED CHARGES

The following table shows our consolidated ratio of earnings to fixed charges for the periods indicated.

	Year Ended December 31,					(Unaudited) Six Months Ended June 30, 2003
	1998	1999	2000	2001	2002	
Ratio of Earnings to Fixed Charges	1.77	2.01	2.10	2.21	1.91	1.40

Earnings for purposes of the calculation of Ratio of Earnings to Fixed Charges have been computed by adding to income before extraordinary items, discontinued operations and cumulative effects of changes in accounting principle all taxes based on income or profits, total interest charges and the interest element of rentals where determinable plus $^{1}/3$ of rental expense where no readily defined interest element can be determined. Fixed charges includes total interest charges, the estimated interest element of rentals and subsidiaries preferred stock requirements, determined on a pre-income tax basis. These ratios exclude fixed charges applicable to the guarantee of the debt of a coal supplier aggregating $3.828 million for the year ended December 31, 1998. The guarantee and related coal supply contract debt expired December 31, 1999.

DESCRIPTION OF DEBT SECURITIES

The following description sets forth the general terms and provisions of the debt securities that we may offer by this prospectus. The debt securities will be our senior unsecured debt securities and will rank equally with all of our other unsecured and unsubordinated debt. The debt securities will be issued under an indenture, dated as of November 15, 2001, between us and Bank One Trust Company, N.A., as trustee. The indenture gives us broad authority to set the particular terms of each series of debt securities, including the right to modify certain of the terms contained in the indenture. The particular terms of a series of debt securities and the extent, if any, to which the particular terms of the issue modify the terms of the indenture will be described in the prospectus supplement relating to those debt securities.

Table of Contents

The indenture contains the full text of the matters described in this section. Because this section is a summary, it does not describe every aspect of the debt securities or the indenture. This summary is subject to and qualified in its entirety by reference to all the provisions of the indenture, including definitions of terms used in the indenture. You should read the indenture incorporated by reference as an exhibit to the registration statement of which this prospectus is a part. We also include references in parentheses to certain sections of the indenture. Whenever we refer to particular sections or defined terms of the indenture in this prospectus or in a prospectus supplement, these sections or defined terms are incorporated by reference herein or in the prospectus supplement. This summary also is subject to and qualified by reference to the description of the particular terms of the debt securities described in the applicable prospectus supplement or supplements.

If applicable, the prospectus supplement relating to an issue of debt securities will describe any special United States federal income tax considerations relevant to those debt securities.

There is no requirement under the indenture that future issues of our debt securities be issued under the indenture. We will be free to use other indentures or documentation, containing provisions different from those included in the indenture or applicable to one or more issues of debt securities, in connection with future issues of other debt securities.

General

The indenture does not limit the aggregate principal amount of debt securities that we may issue under the indenture. The indenture provides that the debt securities may be issued in one or more series. The debt securities may be issued at various times and may have differing maturity dates and may bear interest at differing rates. We need not issue all debt securities of one series at the same time and, unless otherwise provided, we may reopen a series, without the consent of the holders of the debt securities of that series, for issuances of additional debt securities of that series.

Prior to the issuance of each series of debt securities, the terms of the particular securities will be specified in a supplemental indenture, a board resolution or in one or more officer s certificates authorized pursuant to a board resolution. We refer you to the applicable prospectus supplement for a description of the following terms of the series of debt securities:

- title of the debt securities;
- any limit on the aggregate principal amount of the debt securities;
- the person to whom any interest on the debt securities shall be payable, if other than the person in whose name the debt securities are registered at the close of business on the regular record date for that interest;
- the date or dates on which the principal of the debt securities will be payable or how the date or dates will be determined;
- the rate or rates at which the debt securities will bear interest, if any, or how the rate or rates will be determined and the date or dates from which interest will accrue;

the dates on which interest will be payable;

the record dates for payments of interest;

the place or places, if any, in addition to the office of the trustee, where the principal of, and premium, if any, and interest, if any, on the debt securities will be payable;

the period or periods within which, the price or prices at which, and the terms and conditions upon which, the debt securities may be redeemed, in whole or in part, at our option;

Table of Contents

- any sinking fund or other provisions or options held by holders of the debt securities that would obligate us to purchase or redeem the debt securities;
- the percentage, if less than 100%, of the principal amount of the debt securities that will be payable if the maturity of the debt securities is accelerated;
- whether the debt securities will be issued in book-entry form, represented by one or more global securities certificates deposited with, or on behalf of, a securities depositary and registered in the name of the depositary or its nominee, and if so, the identity of the depositary;
- any changes or additions to the events of default under the indenture or changes or additions to our covenants under the indenture;
- any collateral security, assurance or guarantee for the debt securities; and
- any other specific terms applicable to the debt securities.

Unless we otherwise indicate in the applicable prospectus supplement, the debt securities will be denominated in United States currency in minimum denominations of $1,000 and multiples of $1,000.

Unless we otherwise indicate in the applicable prospectus supplement, there are no provisions in the indenture or the debt securities that require us to redeem, or permit the holders to cause a redemption of, the debt securities or that otherwise protect the holders in the event that we incur substantial additional indebtedness, whether or not in connection with a change in control of our company.

Security and Ranking

We conduct our operations primarily through our subsidiaries and substantially all of our consolidated assets are held by our subsidiaries. Accordingly, our cash flow and our ability to meet our obligations under the debt securities are largely dependent upon the earnings of our subsidiaries and the distribution or other payment of these earnings to us in the form of dividends. Our subsidiaries are separate and distinct legal entities and have no obligation to pay any amounts due on our debt securities or to make any funds available for payment of amounts due on our debt securities.

Because we are a holding company, our obligations under the debt securities will be effectively subordinated to all existing and future liabilities of our subsidiaries. Therefore, our rights and the rights of our creditors, including the rights of the holders of our debt securities, to participate in the liquidation of assets of any subsidiary will be subject to the prior claims of the subsidiary s creditors. To the extent that we may be a creditor with recognized claims against any of our subsidiaries, our claims would still be effectively subordinated to any security interest in, or mortgages or other liens on, the assets of the subsidiary and would be subordinated to any indebtedness, other liabilities, and preferred securities, of the subsidiary, senior to that held by us. As of June 30, 2003 our subsidiaries had approximately $8 billion aggregate principal amount of indebtedness and $640 million aggregate stated value of preferred securities outstanding.

Payment and Paying Agents

Unless otherwise indicated in a prospectus supplement, we will payments thereto furnished to us with respect to the fiscal year ended March 31, 2008, to our knowledge, our directors, officers and holders of more than 10% of our common stock have complied with all Section 16(a) filing requirements.

AUDIT COMMITTEE REPORT

Our board of directors maintains an audit committee comprised of our outside directors. The board of directors and the audit committee believe that the audit committee s current members satisfy the AMEX s requirement that audit committee members be independent directors as that term is currently defined by the AMEX listing standards.

The audit committee reviews and reassesses the adequacy of its charter on an annual basis. Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls. In fulfilling its oversight responsibilities, the committee reviewed the audited financial statements in the Annual Report with management including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements. The audit committee reviewed with the independent auditors, who are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, their

judgments as to the quality, not just the acceptability, of our accounting principles and such other matters as are required to be discussed with the committee under generally accepted auditing standards, including Statement on Auditing Standards No. 61. In addition, the audit committee has discussed with the independent auditors the auditors independence from management and us including the matters in the written disclosures and the letter from the independent auditors required by the Independence Standards Board, Standard No. 1.

The audit committee discussed with our independent auditors the overall scope and plans for their audit. The audit committee meets with the independent auditors to discuss the results of their examination, their evaluation of our internal controls, and the overall quality of our financial reporting. In reliance on the reviews and discussions referred to above, the audit committee recommended to the board of directors, and the board of directors has approved, that the audited consolidated financial statements be included in our Annual Report on Form 10-KSB for the year ended March 31, 2008, for filing with the Securities and Exchange Commission.

Submitted by the Audit Committee

Bruce L. Arfmann, Audit Committee Member

George A. Stewart, Audit Committee Member

RATIFICATION OF INDEPENDENT PUBLIC ACCOUNTANTS

(Proxy Item #2)

Our board of directors and audit committee have selected Gordon, Hughes & Banks, LLP as our independent accountant to audit our financial statements for the fiscal year ending March 31, 2009. The decision to engage Gordon, Hughes & Banks, LLP was approved by our board of directors and audit committee, and this appointment is being submitted to our shareholders for ratification at the Annual Meeting.

Gordon, Hughes & Banks, LLP served as the principal accountant to audit our financial statements for the fiscal years ended March 31, 2008 and 2007. We expect that a representative of Gordon, Hughes & Banks, LLP will be present at the Annual Meeting and will be available to respond to appropriate questions, and such representative will have the opportunity to make a statement at the meeting.

During our two most recent fiscal years and any subsequent interim period preceding June 27, 2008, there were no disagreements between us and Gordon, Hughes & Banks, LLP, on any matter of accounting principles or practices, financial disclosure, or auditing scope or procedure.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR RATIFICATION OF GORDON, HUGHES & BANKS, LLP AS INDEPENDENT PUBLIC ACCOUNTANTS.

Audit Fees

Fees and related expenses for the fiscal year ended March 31, 2008 audit by Gordon, Hughes & Banks, LLP were $32,633, and $24,000 for the fiscal year ended March 31, 2007.

Audit-Related Fees

Audit-related expenses include $9,455 to Gordon, Hughes & Banks, LLP related to the review of the financial statements contained in our quarterly 10-QSB filings for the fiscal year ended March 31, 2008 and $8,708 for the fiscal year ended March 31, 2007.

Tax Fees

Gordon, Hughes & Banks, LLP did not render any services related to tax return preparation or tax planning for the fiscal years ended March 31, 2008 or March 31, 2007.

All Other Fees

There were no aggregate fees billed for all other services rendered by Gordon, Hughes & Banks, LLP for the fiscal years ended March 31, 2008 or March 31, 2007.

Approval of Auditor Services and Fees

Our audit committee ensures that we engage our independent public accountants to provide only audit and non-audit services that are compatible with maintaining the independence of our independent public accountants. Our audit committee approves or pre-approves all services provided by our independent public accountants. Permitted services include audit and audit-related services, tax and other non-audit related services. Certain services are identified as restricted. All fees identified in the preceding first two paragraphs were approved by our audit committee.

OTHER MATTERS

We know of no other matters that may come before the meeting. However, if any additional matters are properly presented at the meeting, it is intended that the persons named in the enclosed Proxy Card, or their substitutes, will vote such proxy in accordance with their judgment on such matters.

ANNUAL REPORT TO SHAREHOLDERS

Our Annual Report for the fiscal year ended March 31, 2008, including audited Financial Statements for the year then ended, as filed with the Securities and Exchange Commission on Form 10-KSB is being mailed to shareholders on or about June 27, 2008 with these proxy materials.

In an effort to reduce printing costs and postage fees, we have adopted a practice approved by the Securities and Exchange Commission called householding. Under this practice, shareholders who have the same address and last name and do not participate in electronic delivery of proxy materials will receive only one copy of our proxy materials unless one or more of these shareholders notifies us that they wish to continue receiving individual copies. Shareholders who participate in householding will continue to receive separate proxy cards.

If you share an address with another shareholder and received only one set of proxy materials and would like to request a separate copy of these materials and/or future proxy materials, please send your request to: 6797 Winchester Circle, Boulder, CO 80301, Attention: Marcia McHaffie. You may also contact us if you received multiple copies of the proxy materials and would prefer to receive a single copy in the future.

IN ORDER THAT YOUR SHARES MAY BE REPRESENTED IF YOU DO NOT PLAN TO ATTEND THE MEETING, PLEASE SIGN, DATE AND RETURN YOUR PROXY CARD PROMPTLY. IN THE EVENT THAT YOU ARE ABLE TO ATTEND THE MEETING, WE WILL, IF YOU REQUEST, CANCEL THE PROXY CARD.

SIGNATURE

By Order of the Board of Directors

/s/ Roger C. Odell
Chairman of the Board of Directors

Boulder, Colorado
June 27, 2008

13

ENCISION INC.

SOLICITED BY THE BOARD OF DIRECTORS FOR THE ANNUAL

MEETING OF SHAREHOLDERS TO BE HELD AUGUST 6, 2008

The undersigned hereby constitutes, appoints and authorizes John R. Serino and David W. Newton and each of them, the true and lawful attorneys and proxies of the undersigned with full power of substitution and appointment, for and in the name, place and stead of the undersigned, to act for and vote as designated below, all of the undersigned s shares of the no par value common stock of Encision Inc., a Colorado corporation, at the Annual Meeting of Shareholders to be held at 10:00 A.M. Mountain Time, on August 6, 2008, at the offices of Faegre & Benson LLP, 1900 Fifteenth Street, Boulder, Colorado, 80302 and at any and all adjournments thereof, for the following purposes:

1. To elect seven directors:

o For all nominees listed below (except as marked to the contrary):

o Withhold authority to vote for the nominees listed below:
Bruce L. Arfmann
Robert H. Fries
Vern D. Kornelsen
David W. Newton
Roger C. Odell
John R. Serino
George A. Stewart

(INSTRUCTION: To withhold authority to vote for any individual nominee rather than all nominees, check the box next to For all nominees listed below (except as marked to the contrary) and draw a line through or otherwise strike out the name of the nominee(s) for whom authority to vote is to be withheld. If authority to vote for the election of any nominee is not withheld, the execution of this Proxy shall be deemed to grant such authority.)

2. To ratify the appointment of Gordon, Hughes & Banks, LLP as the Company s independent public accountants.

o FOR o AGAINST o ABSTAIN

3. To transact such other business as may properly come before the meeting, or any adjournment thereof.

The undersigned hereby revokes any proxies as to said shares heretofore given by the undersigned, and ratifies and confirms all that said attorneys and proxies may lawfully do by virtue hereof.

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED SHAREHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR ALL PROPOSALS. THIS PROXY CONFERS DISCRETIONARY AUTHORITY IN RESPECT TO MATTERS NOT KNOWN OR DETERMINED AT THE TIME OF THE MAILING OF THE NOTICE OF THE ANNUAL MEETING OF SHAREHOLDERS TO THE UNDERSIGNED.

The undersigned hereby acknowledges receipt of the Notice of Annual Meeting of Shareholders and Proxy Statement furnished herewith.

DATED: June 27, 2008.

Signature(s) of Shareholder(s)

Signature(s) should agree with the name(s) shown hereon. Executors, administrators, trustees, guardians and attorneys should indicate their capacity when signing. Attorneys should submit powers of attorney.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF ENCISION INC. PLEASE SIGN AND RETURN THIS PROXY TO COMPUTERSHARE PROXY SERVICES,P.O. BOX 43101, PROVIDENCE, RI 02940. THE GIVING OF A PROXY WILL NOT AFFECT YOUR RIGHT TO VOTE IN PERSON IF YOU ATTEND THE MEETING.