

the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "Calculation Date"), then the Fixed Charge Coverage Ratio will be calculated giving pro forma effect to such incurrence, assumption, Guarantee, repayment, repurchase or redemption of Indebtedness, or such issuance, repurchase or redemption of preferred stock, and the use of the proceeds therefrom as if the same had occurred at the beginning of the applicable four-quarter reference period.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

- (1) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers, consolidations or otherwise (including acquisitions of assets used in a Permitted Business) and including any related financing transactions, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date will be given pro forma effect as if they had occurred on the first day of the four-quarter reference period, including any pro forma expense and cost reductions that have occurred or are reasonably expected to occur, in the reasonable judgment of the chief financial officer of Illinois Power (regardless of whether those cost savings or operating improvements could then be reflected in pro forma financial statements in accordance with Regulation S-X promulgated under the Securities Act or any other regulation or policy of the Commission related thereto);
- (2) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses disposed of prior to the Calculation Date, will be excluded; and
- (3) the Fixed Charges attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, which are in effect on the original issue date of the Offered Bonds.

"Guarantee" means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness.

"Hedging Obligations" means, with respect to any specified Person, the net obligations (not the notional amount) of such Person incurred in the normal course of business and not for speculative purposes under:

- (1) interest rate swap agreements, interest rate cap agreements and interest rate collar agreements designed to protect the Person entering into the agreement against fluctuations in interest rates with respect to Indebtedness incurred and not for purposes of speculation;
- (2) foreign exchange contracts and currency protection agreements entered into with one of more financial institutions designed to protect the Person entering into the agreement against fluctuations in currency exchange rates with respect to Indebtedness incurred and not for purposes of speculation;
- (3) any commodity futures contract, commodity option or other similar agreement or arrangement designed to protect against fluctuations in the price of commodities used by that Person at the time; and

- (4) other agreements or arrangements designed to protect such Person against fluctuations in interest rates or currency exchange rates.

"*Indebtedness*" means, with respect to any specified Person, any indebtedness of such Person, whether or not contingent:

- (1) in respect of borrowed money;
- (2) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof other than letters of credit taken out by such Person in the ordinary course of business, to the extent not drawn);
- (3) in respect of banker's acceptances;
- (4) representing Capital Lease Obligations;
- (5) representing the balance deferred and unpaid of the purchase price of any property, except any such balance that constitutes an accrued expense or trade payable; or
- (6) representing any Hedging Obligations.

if and to the extent any of the preceding items (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with GAAP. In addition, the term "*Indebtedness*" includes all *Indebtedness* of others secured by a Lien on any asset of the specified Person (whether or not such *Indebtedness* is assumed by the specified Person) and, to the extent not otherwise included, the Guarantee by the specified Person of any *Indebtedness* of any other Person.

The amount of any *Indebtedness* outstanding as of any date will be:

- (1) the accreted value of the *Indebtedness*, in the case of any *Indebtedness* issued with original issue discount; and
- (2) the principal amount of the *Indebtedness*, together with any interest on the *Indebtedness* that is more than 30 days past due, in the case of any other *Indebtedness*.

"*Investment Grade Rating*" means a rating equal to or higher than Baa3 (or the equivalent) by Moody's or BBB- (or the equivalent) by Standard & Poor's.

"*Investments*" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees or other obligations), advances or capital contributions (excluding commission, moving, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of *Indebtedness*, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP. If Illinois Power or any Subsidiary of Illinois Power sells or otherwise disposes of any Equity Interests of any direct or indirect Subsidiary of Illinois Power such that, after giving effect to any such sale or disposition, such Person is no longer a Subsidiary of Illinois Power, Illinois Power will be deemed to have made an Investment on the date of any such sale or disposition equal to the fair market value of the Equity Interests of such Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of the Triggering Event described above under the caption "*—Triggering Events—Restricted Payments.*" The acquisition by Illinois Power or any Subsidiary of Illinois Power of a Person that holds an Investment in a third Person will be deemed to be an Investment by Illinois Power or such Subsidiary in such third Person in an amount equal to the fair market value of the Investment held by the acquired Person in such third Person in an amount determined as provided in the final paragraph of the Triggering Event described above under the caption "*—Triggering Events—Restricted Payments.*"

“*Lien*” means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction other than a precautionary financing statement representing a lease not intended as a security agreement.

“*Moody’s*” means Moody’s Investors Service, Inc. or any successor to the rating agency business thereof.

“*Net Income*” means, with respect to any specified Person, the net income (loss) of such Person, determined in accordance with GAAP and before any reduction in respect of preferred stock dividends, excluding, however:

- (1) the aggregate gain (but not loss in excess of such aggregate gain), together with any related provision for taxes on such gain (but not loss in excess of such aggregate gain), realized in connection with: (a) any Asset Sale; or (b) the disposition of any securities by such Person or any of its Subsidiaries or the extinguishment of any Indebtedness of such Person or any of its Subsidiaries; and
- (2) the aggregate extraordinary, unusual or non-recurring gain (but not loss in excess of such aggregate extraordinary gain), together with any related provision for taxes on such extraordinary gain (but not loss).

“*Net Proceeds*” means the aggregate proceeds received by Illinois Power or any of its Restricted Subsidiaries in respect of any Asset Sale in cash or Cash Equivalents (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, and sales commissions, and any relocation expenses incurred as a result of the Asset Sale, taxes paid or estimated to be payable as a result of the Asset Sale, in each case, after taking into account any available tax credits or deductions and any tax sharing arrangements, amounts required to be applied to the repayment of Indebtedness secured by a Lien on the asset or assets that were the subject of such Asset Sale and any reserve for adjustment in respect of the sale price of such asset or assets established in accordance with GAAP.

“*Non-Recourse Debt*” means Indebtedness:

- (1) as to which neither Illinois Power nor any of its Restricted Subsidiaries (a) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness), (b) is directly or indirectly liable as a guarantor or otherwise, or (c) constitutes the lender;
- (2) no default with respect to which (including any rights that the holders of the Indebtedness may have to take enforcement action against an Unrestricted Subsidiary) would permit upon notice, lapse of time or both any holder of any other Indebtedness (other than the Offered Bonds) of Illinois Power or any of its Restricted Subsidiaries to declare a default on such other Indebtedness or cause the payment of the Indebtedness to be accelerated or payable prior to its Stated Maturity; and
- (3) as to which the lenders have been notified in writing that they will not have any recourse to the stock or assets of Illinois Power or any of its Restricted Subsidiaries.

“*Obligations*” means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"Permitted Business" means any business that derives a majority of its revenues from the business engaged in by Illinois Power and its Restricted Subsidiaries on the original issue date of the Offered Bonds and/or activities that are reasonably similar, ancillary, incidental, complementary or related to, or a reasonable extension, development or expansion of, the businesses in which Illinois Power and its Restricted Subsidiaries are engaged on the original issue date of the Offered Bonds, as determined in good faith by the Board of Directors of Illinois Power.

"Permitted Investments" means:

- (1) any Investment in Illinois Power or in a Restricted Subsidiary of Illinois Power (excluding redemptions, purchases, acquisitions or retirements of Equity Interests of Illinois Power);
- (2) any Investment in Cash Equivalents;
- (3) any Investment by Illinois Power or any Restricted Subsidiary of Illinois Power in a Person, if as a result of such Investment:
 - (a) such Person becomes a Restricted Subsidiary of Illinois Power; or
 - (b) such Person is merged, consolidated or amalgamated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, Illinois Power or a Restricted Subsidiary of Illinois Power;
- (4) any Investment made as a result of the receipt of consideration consisting of other than cash or Cash Equivalents from (a) an Asset Sale that was made pursuant to and in compliance with the provisions described above under the caption "*—Repurchase at the Option of Holders—Asset Sales,*" or (b) a disposition of assets not constituting an Asset Sale pursuant to clause (1) of the items deemed not to be Asset Sales under the definition of "Asset Sale;"
- (5) any acquisition of assets to the extent it is in exchange for the issuance of Equity Interests (other than Disqualified Stock) of Illinois Power;
- (6) any Investments received in compromise of obligations of trade creditors or customers that were incurred in the ordinary course of business, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer;
- (7) Hedging Obligations;
- (8) payroll advances or loans in the ordinary course of business to officers and employees of Illinois Power or any of its Restricted Subsidiaries, so long as the aggregate principal amount of such advances or loans that constitute Investments does not exceed \$1.0 million at any one time outstanding;
- (9) any Investments made in accordance with clause (5) of the definition of "Asset Sales" with respect to items not deemed to be Asset Sales; and
- (10) other Investments in any Person that is not also a Restricted Subsidiary of Illinois Power having an aggregate fair market value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (10) since the original issue date of the Offered Bonds, not to exceed \$5 million.

"Permitted Liens" means:

- (1) Liens securing any Indebtedness under a Credit Facility that was permitted by the terms of the Supplemental Indenture to be incurred, and all Obligations and Hedging Obligations relating to such Indebtedness;
- (2) Liens in favor of Illinois Power or any Subsidiary Guarantors;
- (3) Liens on property of a Person existing at the time such Person is merged with or into or consolidated with Illinois Power or any Restricted Subsidiary of Illinois Power; *provided* that such Liens were in existence prior to the contemplation of such merger or consolidation and do not extend to any assets other than those of the Person merged into or consolidated with Illinois Power or the Restricted Subsidiary;
- (4) Liens on property existing at the time of acquisition of the property by Illinois Power or any Restricted Subsidiary of Illinois Power, *provided* that such Liens were in existence prior to the contemplation of such acquisition;
- (5) Liens to secure the performance of statutory obligations, surety or appeal bonds, performance bonds or other obligations of a like nature incurred in the ordinary course of business;
- (6) Liens to secure Indebtedness (including Capital Lease Obligations) permitted by clause (4) of the second paragraph of the Triggering Event entitled "—Triggering Events—Incurrence of Indebtedness and Issuance of Preferred Stock" covering only the assets acquired with such Indebtedness;
- (7) Liens securing Existing Indebtedness (including the Lien of the Mortgage);
- (8) Liens for taxes, assessments or governmental charges or claims constituting Indebtedness that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded, *provided* that any reserve or other appropriate provision as is required in conformity with GAAP has been made therefor;
- (9) Liens incurred in the ordinary course of business of Illinois Power or any Restricted Subsidiary with respect to Indebtedness or Attributable Debt (including Hedging Obligations) that does not exceed \$15 million at any one time outstanding;
- (10) Liens to secure Indebtedness permitted by clauses (7), (13) or (14) of the second paragraph of the Triggering Event entitled "—Triggering Events—Incurrence of Indebtedness and Issuance of Preferred Stock;"
- (11) Liens securing the Offered Bonds or any other Indebtedness issued or to be issued under the Mortgage that was permitted to be incurred under the terms of the Triggering Event described above under "—Triggering Events—Incurrence of Indebtedness and Issuance of Preferred Stock;"
- (12) Liens securing Permitted Refinancing Indebtedness incurred to refinance Indebtedness that was previously so secured, *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is the security for a Permitted Lien hereunder;
- (13) Liens, including pledges, rights of offset and bankers' liens, on deposit accounts, instruments, investment accounts and investment property (including cash, cash equivalents and marketable securities) from time to time maintained with or held by any financial and/or depository institutions, in each case solely to secure any and all Indebtedness or Attributable Debt now or hereafter existing of Illinois Power or any of its Restricted Subsidiaries in connection with any deposit account, investment account or cash management service (including ACH, Fedwire,

CHIPS, concentration and zero balance accounts, and controlled disbursement, lockbox or restricted accounts) now or hereafter provided by any financial and/or depository institutions to or for the benefit of Illinois Power, any of its Restricted Subsidiaries or any special purpose entity directly or indirectly providing loans to or making receivables purchases from Illinois Power or any of its Restricted Subsidiaries; and

- (14) Liens resulting from the creation and establishment of intangible transition property pursuant to a transitional funding order issued by the ICC.

"Permitted Refinancing Indebtedness" means any Indebtedness of Illinois Power or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to extend, refinance, renew, replace, defease or refund other Indebtedness of Illinois Power or any of its Restricted Subsidiaries or a Transitional Funding Trust (other than intercompany Indebtedness), or issued in replacement of any such Indebtedness repaid or otherwise retired within the preceding three months; *provided that*:

- (1) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness extended, refinanced, renewed, replaced, defeased or refunded (plus all accrued and unpaid interest on the Indebtedness and the amount of all expenses and premiums incurred in connection therewith);
- (2) such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded, provided, however, that if such Permitted Refinancing Indebtedness is issued in exchange for, or the net proceeds of which are used for the purpose of, extending, refinancing, renewing, replacing, defeasing or refunding Indebtedness of a Transitional Funding Trust, such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and has a Weighted Average Life to Maturity greater than the Weighted Average Life to Maturity of, the Offered Bonds;
- (3) if the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded is contractually subordinated in right of payment to the Offered Bonds, such Permitted Refinancing Indebtedness has a final maturity date later than the final maturity date of, and is subordinated in right of payment to, the Offered Bonds on terms at least as favorable to the holders of Offered Bonds as those contained in the documentation governing the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; and
- (4) if Illinois Power is the obligor on the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded, then such Permitted Refinancing Indebtedness is solely the Indebtedness of Illinois Power.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"Rating Agencies" means Standard & Poor's and Moody's, or if Standard & Poor's or Moody's or both shall not make a rating on the Offered Bonds publicly available, a nationally recognized statistical rating agency or agencies, as the case may be, selected by Illinois Power (as certified by a resolution of its Board of Directors) which shall be substituted for Standard & Poor's or Moody's or both, as the case may be.

"Restricted Investment" means an Investment other than a Permitted Investment.

"Restricted Subsidiary" of a Person means any Subsidiary of the referent Person that is not an Unrestricted Subsidiary.

"Services and Facilities Agreement" means the Services and Facilities Agreement, dated as of June 27, 2000, among Dynegy, Illinois Power and Illinova, as amended, restated, modified, renewed or replaced in whole

or in part from time to time, provided that any such amendment, restatement, modification, renewal or replacement shall have been approved by appropriate regulatory authorities.

"*Significant Subsidiary*" means any Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the original issue date of the Offered Bonds.

"*Standard & Poor's*" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., or any successor to the rating agency business thereof.

"*Stated Maturity*" means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the original documentation governing such Indebtedness, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"*Subsidiary*" means, with respect to any specified Person:

- (1) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and
- (2) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are that Person or one or more Subsidiaries of that Person (or any combination thereof).

A Transitional Funding Trust will not be deemed to be a Subsidiary of Illinois Power or any of its Subsidiaries notwithstanding that the financial results of such Transitional Funding Trust are consolidated with those of Illinois Power in accordance with GAAP, except for purposes of calculating the Fixed Charge Coverage Ratio and its components (including Consolidated Net Income).

"*Subsidiary Guarantee*" means any Guarantee of the Offered Bonds to be executed by any Subsidiary of Illinois Power pursuant to the Triggering Event described above under "Triggering Events—Future Subsidiary Guarantees."

"*Subsidiary Guarantors*" means any Subsidiary of Illinois Power that executes a Subsidiary Guarantee in accordance with the provisions of the Mortgage, and their respective successors and assigns.

"*Transitional Funding Notes*" means any debt securities issued by a Transitional Funding Trust in accordance with a transitional funding order of the ICC.

"*Transitional Funding Trust*" means Illinois Power Special Purpose Trust or any future similar entity, the only assets of which are the intangible transition property which is the right to receive transition charges collected by Illinois Power.

"*Unrestricted Subsidiary*" means any Subsidiary of Illinois Power that is designated by the Board of Directors as an Unrestricted Subsidiary pursuant to a Board Resolution, but only to the extent that such Subsidiary:

- (1) has no Indebtedness other than Non-Recourse Debt;
- (2) is not party to any agreement, contract, arrangement or understanding with Illinois Power or any Restricted Subsidiary of Illinois Power unless the terms of any such agreement, contract, arrangement or understanding are no less favorable to Illinois Power or such Restricted Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of Illinois Power;

- (3) is a Person with respect to which neither Illinois Power nor any of its Restricted Subsidiaries has any direct or indirect obligation (a) to subscribe for additional Equity Interests or (b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results;
- (4) has not guaranteed or otherwise directly or indirectly provided credit support for any Indebtedness of Illinois Power or any of its Restricted Subsidiaries; and
- (5) has at least one director on its Board of Directors that is not a director or executive officer of Illinois Power or any of its Restricted Subsidiaries and has at least one executive officer that is not a director or executive officer of Illinois Power or any of its Restricted Subsidiaries.

Any designation of a Subsidiary of Illinois Power as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee a certified copy of the Board Resolution giving effect to such designation and an officer's certificate certifying that such designation complied with the preceding conditions and was permitted by the Triggering Event described above under the caption "*—Triggering Events—Restricted Payments.*" If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the Mortgage and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary of Illinois Power as of such date and, if such Indebtedness is not permitted to be incurred as of such date under the Triggering Event described under the caption "*—Triggering Events—Incurrence of Indebtedness and Issuance of Preferred Stock,*" such a Triggering Event will occur.

"*Voting Stock*" of any Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

"*Weighted Average Life to Maturity*" means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

- (1) the sum of the products obtained by multiplying (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (b) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by
- (2) the then outstanding principal amount of such Indebtedness.

"*Wholly Owned Subsidiary*:" means, with respect to any specified Person:

- (1) any Subsidiary of which 100% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees of the Subsidiary is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and
- (2) any Subsidiary all the general partnership interests and limited partnership interests, if any, of which are owned, directly or indirectly, by that Person or one or more other Subsidiaries of that Person (or any combination thereof).

Defeasance

Any Mortgage Bond or bonds, or any portion of the principal amount thereof, will be deemed to have been paid for purposes of the Mortgage and the entire indebtedness in respect thereof will be deemed to have been satisfied and discharged, if there has been irrevocably deposited with the Trustee, in trust:

- money in the amount which will be sufficient, or
- "eligible obligations" (as described below) which do not contain provisions permitting the redemption or other prepayment thereof at the option of the issuer thereof, the principal of and the

interest on which when due, without any regard to reinvestment thereof, will provide monies that will be sufficient, or

- a combination of the foregoing which will be sufficient.

to pay when due the principal of and premium, if any, and interest, if any, due and to become due on such Mortgage Bond or bonds or portions thereof.

For this purpose, "eligible obligations" include direct obligations of, or obligations unconditionally guaranteed by, the United States of America, entitled to the benefit of the full faith and credit thereof, and certificates, depository receipts or other instruments which evidence a direct ownership interest in such obligations or in any specific interest or principal payments due in respect thereof.

Resignation and Removal of the Trustee

The Trustee may resign at any time by giving written notice thereof to us or may be removed at any time by act of the holders of a majority in principal amount of Mortgage Bonds then outstanding delivered to the Trustee and us. No resignation or removal of the Trustee and no appointment of a successor trustee will become effective until the acceptance of appointment by a successor trustee in accordance with the requirements of the Mortgage. So long as no mortgage event of default or event which, after notice or lapse of time, or both, would become a mortgage event of default has occurred and is continuing, if we have delivered to the Trustee a resolution of our Board of Directors appointing a successor trustee and such successor has accepted such appointment in accordance with the terms of the Mortgage, the Trustee will be deemed to have resigned and the successor will be deemed to have been appointed as trustee in accordance with the Mortgage.

Concerning the Trustee

BNY Midwest Trust Company, as successor Trustee under the Mortgage, has been a regular depository of our funds and the trustee with respect to certain of our other debt obligations. As Trustee, BNY Midwest Trust Company would have a conflicting interest for purposes of the Trust Indenture Act if a mortgage event of default were to occur under the Mortgage. In that case, BNY Midwest Trust Company may be required to eliminate such conflicting interest by resigning as Trustee. There are other instances under the Trust Indenture Act that would require the resignation of the Trustee if a mortgage event of default were to occur, such as an affiliate of the Trustee acting as underwriter with respect to any of the Mortgage Bonds.

Transfer

The transfer of Mortgage Bonds may be registered, and Mortgage Bonds may be exchanged for other Mortgage Bonds of the same series and tranche, of authorized denominations and of like tenor and aggregate principal amount, at the office of BNY Midwest Trust Company of Chicago, Illinois, as bond registrar for the Mortgage Bonds. We may change the place for registration of transfer of the Mortgage Bonds, may appoint one or more additional bond registrars (including us) and may remove any bond registrar, all at our discretion. No service charge will be made for any transfer or exchange of the Mortgage Bonds, but we may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of the Mortgage Bonds. We will not be required to issue and no bond registrar will be required to register the transfer of or to exchange:

- Mortgage Bonds of any series (including the Mortgage Bonds) during a period of 15 days prior to giving any notice of redemption, or
- any Mortgage Bond selected for redemption in whole or in part, except the unredeemed portion of any Mortgage Bond being redeemed in part.

Governing Law

The Mortgage is, and the Supplemental Indenture and the Offered Bonds will be, governed by and construed in accordance with the laws of the State of Illinois.

Book-Entry Delivery and Form

Offered Bonds will be issued only in fully registered form, without interest coupons, in denominations of \$1,000 and integral multiples thereof. Offered Bonds will not be issued in bearer form. Offered Bonds sold in this offering will be issued only against payment in immediately available funds.

Offered Bonds initially will be represented by one or more Offered Bonds in registered, global form without interest coupons (collectively, the "Global Offered Bonds"). The Global Offered Bonds will be deposited upon issuance with the Trustee as custodian for DTC in New York, New York, and registered in the name of DTC or its nominee, in each case for credit to an account of a direct or indirect participant in DTC as described below.

Global Offered Bonds, including beneficial interests in the Global Offered Bonds, will be subject to certain restrictions on transfer and will bear restrictive legends as described under "Notices to Investors."

Except as set forth below, the Global Offered Bonds may be transferred, in whole and not in part, only to another nominee of DTC or to a successor of DTC or its nominee. In addition, transfer of beneficial interests in the Global Offered Bonds will be subject to the applicable rules and procedures of DTC and its direct or indirect participants, which may change from time to time. Beneficial interests in the Global Offered Bonds may not be exchanged for Offered Bonds in certificated form except in the limited circumstances described below. Please read "— Exchange of Book-Entry Offered Bonds for Certificated Offered Bonds."

Initially, the Trustee will act as paying agent and registrar. The Offered Bonds may be presented for registration of transfer and exchange at the offices of the registrar.

Exchange of Book-Entry Offered Bonds for Certificated Offered Bonds

A beneficial interest in a Global Offered Bond may not be exchanged for an Offered Bond in certificated form unless:

- (i) DTC (x) notifies us that it is unwilling or unable to continue as depository for the Global Offered Bond or (y) has ceased to be a clearing agency registered under the Exchange Act, and in either case we thereupon fail to appoint a successor depository within 90 days;
- (ii) we, at our option, notify the Trustee in writing of our election to cause the issuance of the Offered Bonds in certificated form; or
- (iii) there shall have occurred and be continuing an Event of Default or any event which after notice or lapse of time or both would be an Event of Default with respect to the Offered Bonds.

In all cases, certificated Offered Bonds delivered in exchange for any Global Offered Bond or beneficial interests in such Global Offered Bond will be registered in the names, and issued in any approved denominations, requested by or on behalf of the depository, in accordance with its customary procedures. Any certificated Offered Bond issued in exchange for an interest in a Global Offered Bond will bear the legend restricting transfers that is borne by such Global Offered Bond. Any such exchange will be effected through the DTC's Deposit/Withdrawal at Custodian system and an appropriate adjustment will be made in the records of the registrar of the Offered Bonds to reflect a decrease in the principal amount of the relevant Global Offered Bond.

Certain Book-Entry Procedures for Global Offered Bonds

The following description of the operations and procedures of DTC are provided solely as a matter of convenience. These operations and procedures are solely within the control of the DTC settlement system and are subject to changes by them. We take no responsibility for these operations and procedures and urge investors to contact the system or their participants directly to discuss these matters.

-DTC has advised us that DTC is a limited-purpose trust company created to hold securities for its participating organizations (collectively, the "Participants") and to facilitate the clearance and settlement of transactions in those securities between Participants through electronic book-entry changes in accounts of its Participants. The Participants include securities brokers and dealers (including the initial purchasers), banks, trust companies, clearing corporations and certain other organizations. Access to DTC's system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Participant, either directly or indirectly (collectively, the "Indirect Participants"). Persons who are not Participants may beneficially own securities held by or on behalf of DTC only through the Participants or the Indirect Participants. The ownership interests in, and transfers of ownership interests in, each security held by or on behalf of DTC are recorded on the records of the Participants and Indirect Participants.

DTC has also advised us that, pursuant to procedures established by it:

- (1) upon deposit of the Global Offered Bonds, DTC will credit the accounts of Participants designated by the initial purchasers with portions of the principal amount of the Global Offered Bonds; and
- (2) ownership of these interests in the Global Offered Bonds will be shown on, and the transfer of ownership thereof will be effected only through, records maintained by DTC (with respect to the Participants) or by the Participants and the Indirect Participants (with respect to other owners of beneficial interest in the Global Offered Bonds).

Investors in the Global Offered Bonds who are Participants in DTC's system may hold their interests therein directly through DTC. Investors in the Global Offered Bonds who are not Participants may hold their interests therein indirectly through organizations which are Participants in such system. All interests in a Global Offered Bond may be subject to the procedures and requirements of DTC. The laws of some states require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer beneficial interests in a Global Offered Bond to such persons will be limited to that extent. Because DTC can act only on behalf of Participants, which in turn act on behalf of Indirect Participants, the ability of a person having beneficial interests in a Global Offered Bond to pledge such interests to persons that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests.

Except as described herein, owners of interests in the Global Offered Bonds will not have Offered Bonds registered in their names, will not receive physical delivery of Offered Bonds in certificated form and will not be considered the registered owners or holders thereof under the Mortgage for any purpose.

Payments in respect of the principal of, and interest and premium, if any, on a Global Offered Bond registered in the name of DTC or its nominee will be payable to DTC in its capacity as the registered holder under the Mortgage. Under the terms of the Mortgage, we and the Trustee will treat the persons in whose names the Offered Bonds, including the Global Offered Bonds, are registered as the owners thereof for the purpose of receiving payments and for all other purposes. Consequently, neither we nor the Trustee nor any of our respective agents has or will have any responsibility or liability for:

- (1) any aspect of DTC's records or any Participant's or Indirect Participant's records relating to or payments made on account of beneficial ownership interests in the Global Offered Bonds or for maintaining, supervising or reviewing any of DTC's records or any Participant's or Indirect Participant's records relating to the beneficial ownership interests in the Global Offered Bonds; or

- (2) any other matter relating to the actions and practices of DTC or any of its Participants or Indirect Participants.

DTC has advised us that its current practice, upon receipt of any payment in respect of securities such as the Offered Bonds (including principal and interest), is to credit the accounts of the relevant Participants with the payment on the payment date unless DTC has reason to believe it will not receive payment on such payment date. Each relevant Participant is credited with an amount proportionate to its beneficial ownership of an interest in the principal amount of the relevant security as shown on the records of DTC. Payments by the Participants and the Indirect Participants to the beneficial owners of Offered Bonds will be governed by standing instructions and customary practices and will be the responsibility of the Participants or the Indirect Participants and will not be the responsibility of DTC, the Trustee or us. Neither we nor the Trustee will be liable for any delay by DTC or any of its Participants in identifying the beneficial owners of the Offered Bonds, and we and the Trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes.

Subject to the transfer restrictions set forth under "Notices to Investors," transfers between Participants in DTC will be effected in accordance with DTC's procedures, and will be settled in same-day funds.

DTC has advised us that it will take any action permitted to be taken by a holder of Offered Bonds only at the direction of one or more Participants to whose account DTC has credited the interests in the Global Offered Bonds and only in respect of such portion of the aggregate principal amount of the Offered Bonds as to which such Participant or Participants has or have given such direction. However, if there is an event of default under the Offered Bonds, DTC reserves the right to exchange the Global Offered Bonds for legended bonds in certificated form, and to distribute such bonds to its Participants.

Although DTC has agreed to the foregoing procedures to facilitate transfers of interests in the Global Offered Bonds among participants in DTC, it is under no obligation to perform or to continue to perform such procedures, and may discontinue such procedures at any time. Neither we, nor the Trustee or any of our respective agents, will have any responsibility for the performance by DTC or its respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Same Date Settlement and Payment

We will make payments in respect of the Offered Bonds represented by the Global Offered Bonds (including principal, premium, if any, and interest) by wire transfer of immediately available funds to the accounts specified by the holder of the Global Offered Bond. We will make all payments of principal, interest and premium, if any, with respect to certificated Offered Bonds by wire transfer of immediately available funds to the accounts specified by the holders thereof or, if no such account is specified, by mailing a check to each such holder's registered address. The Offered Bonds represented by the Global Offered Bonds are expected to be eligible to trade in the PortalSM Market and to trade in DTC's Same-Day Funds Settlement System, and any permitted secondary market trading activity in such Offered Bonds will, therefore, be required by DTC to be settled in immediately available funds. We expect that secondary trading in any certificated Offered Bonds will also be settled in immediately available funds.

Notices

Notices to holders of the Offered Bonds will be given by mail to the addresses of such holders as they appear in the security register.

EXCHANGE OFFER; REGISTRATION RIGHTS

We will enter into a registration rights agreement with the initial purchasers prior to or concurrently with the issuance of the Offered Bonds pursuant to which we will agree, for the benefit of the holders of the Offered Bonds who are able to make the representations described below, at our cost, to:

- file with the SEC a registration statement relating to an offer to exchange the Offered Bonds for Exchange Bonds having terms identical in all material respects to the Offered Bonds.
- use our commercially reasonable efforts to cause the exchange offer registration statement to be declared effective under the Securities Act.
- use our commercially reasonable efforts to keep the exchange offer registration statement effective until the closing of the exchange offer, and
- use our commercially reasonable efforts to complete the exchange offer on or prior to 270 days after the date of original issue of the Offered Bonds.

The ICC has approved the issuance of up to \$300 million of Exchange Bonds. We expect to seek further approval from the ICC to issue an additional \$250 million of Exchange Bonds and to obtain such approval prior to the effectiveness of the exchange offer registration statement. Promptly after the exchange offer registration statement has been declared effective under the Securities Act and we receive the required ICC approval for the additional \$250 million of Exchange Bonds, we will offer the Exchange Bonds in exchange for the Offered Bonds to holders of the Offered Bonds who are not prohibited by law from participating in the exchange offer. We will keep the exchange offer open for not less than 20 business days, or longer if required by applicable law, after the date notice of the exchange offer is mailed to the holders of the Offered Bonds. For each Offered Bond validly tendered to us pursuant to the exchange offer and not withdrawn by the holder, the holder of such Offered Bond will receive an Exchange Bond having a principal amount equal to that of the tendered Offered Bond. Interest on each Exchange Bond will accrue from the last interest payment date on which interest was paid on the tendered Offered Bond in exchange therefor or, if no interest has been paid on the Offered Bond, from the date of the original issue of the Offered Bond.

Based on an interpretation of the Securities Act by the staff of the SEC set forth in several no-action letters to third parties, and subject to the immediately following sentence, we believe that the Exchange Bonds issued pursuant to the exchange offer may be offered for resale, resold and otherwise transferred by holders thereof without further compliance with the registration and prospectus delivery provisions of the Securities Act. However, any purchaser of Offered Bonds who is one of our "affiliates," who intends to participate in the exchange offer for the purpose of distributing the Exchange Bonds or who is a broker-dealer who purchased Offered Bonds from us in this offering for resale under Rule 144A or any other available exemption under the Securities Act (1) will not be able to rely on the interpretation by the staff of the SEC set forth in the above-referenced no-action letters, (2) will not be able to tender Offered Bonds in the exchange offer and (3) must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any sale or transfer of the Offered Bonds, unless such sale or transfer is made pursuant to an exemption from those requirements.

Each holder of the Offered Bonds who wishes to exchange its outstanding Offered Bonds for Exchange Bonds in the exchange offer will be required to make specific representations, including that:

- it is neither one of our affiliates nor a broker-dealer tendering Offered Bonds acquired directly from us for its own account,
- any Exchange Bonds to be received by it will be acquired in the ordinary course of its business, and
- at the time of commencement of the exchange offer, it has no arrangement with any person to participate in the distribution (within the meaning of the Securities Act) of the Exchange Bonds.

In addition, in connection with any resales of Exchange Bonds, any participating broker-dealer who acquired the Offered Bonds for its own account as a result of market-making activities or other trading activities

must deliver a prospectus meeting the requirements of the Securities Act. The SEC has taken the position that participating broker-dealers may fulfill their prospectus delivery requirements with respect to the Exchange Bonds (other than a resale of an unsold allotment from the original sale of the Offered Bonds) with the prospectus contained in the exchange offer registration statement. Under the registration rights agreement, we are required to allow participating broker-dealers and other persons, if any, subject to similar prospectus delivery requirements, to use the prospectus contained in the exchange offer registration statement in connection with the resale of such Exchange Bonds.

Shelf Registration

Pursuant to the terms of the registration rights agreement, we will be required to file a shelf registration statement (1) if any changes in law or the applicable interpretations of the staff of the SEC do not permit us to effect the exchange offer as contemplated in this offering memorandum, (2) if for any other reason the exchange offer is not completed on or prior to 270 days after the date of original issue of the Offered Bonds, (3) upon the request of the initial purchasers with respect to Offered Bonds held by the initial purchasers that are not eligible to be exchanged for Exchange Bonds in the exchange offer or (4) if a holder of the Offered Bonds is not permitted by applicable law to participate in the exchange offer or elects to participate in the exchange offer but does not receive Exchange Bonds pursuant to the exchange offer.

If one of the above four events occur, we will, at our cost,

- as promptly as practicable, file with the SEC a shelf registration statement covering resales of the Offered Bonds,
- use our commercially reasonable efforts to cause the shelf registration statement to be declared effective under the Securities Act on or prior to the 300th day after the original issue of the Offered Bonds, and
- use our commercially reasonable efforts to keep effective the shelf registration statement until the earliest of: (1) the time when the Offered Bonds covered by the shelf registration statement can be sold pursuant to Rule 144 under the Securities Act without any limitations under clauses (c), (e), (f) and (h) of Rule 144; (2) two years from the effective date of the shelf registration statement; and (3) the date on which all Offered Bonds registered under the shelf registration statement are disposed of in accordance therewith.

We will, in the event of the filing of a shelf registration statement, provide to each holder of the Offered Bonds copies of the prospectus that is a part of the shelf registration statement, notify each such holder when the shelf registration statement for the Offered Bonds has become effective and take various other actions as are required to permit unrestricted resales of the Offered Bonds. A holder of Offered Bonds who sells those Offered Bonds pursuant to the shelf registration statement generally will be required to be named as a selling securityholder in the related prospectus and to deliver the prospectus to purchasers, will be subject to certain of the civil liability provisions under the Securities Act in connection with those sales and will be bound by the provisions of the registration rights agreement that are applicable to that holder (including certain indemnification obligations).

Additional Interest

The interest rate borne by the Offered Bonds will increase if:

- (1) the exchange offer is not completed on or prior to the 270th day after the original issue of the Offered Bonds, or

- (2) a shelf registration statement, if required, is not declared effective on or prior to the 300th day after the date of original issue of the Offered Bonds (each of the events referred to in clauses (1) and (2) above, a "Registration Default").

If one of the two Registration Defaults occurs, the interest rate borne by the Offered Bonds will be increased by one quarter of one percent per annum for the first quarterly period the Registration Default exists. The interest rate will increase by an additional one quarter of one percent per annum with respect to each subsequent quarterly period until all Registration Defaults have been cured, up to a maximum amount for all Registration Defaults of one percent per annum. Upon the cure of all Registration Defaults and limited other events, the accrual of Additional Interest will cease and the interest rate will automatically and immediately revert to the original rate.

The summary of various provisions of the registration rights agreement is not complete and is subject to, and is qualified in its entirety by reference to, all the provisions of the registration rights agreement, a copy of which we will provide upon request.

CERTAIN UNITED STATES FEDERAL TAX CONSEQUENCES

The following is a summary of the material United States federal income and estate tax considerations relating to the purchase, ownership and disposition of the Offered Bonds, but does not purport to be a complete analysis of all the potential tax considerations relating thereto. This summary is based upon the Internal Revenue Code of 1986, as amended (the "Code") and regulations, rulings and decisions thereunder now in effect all of which are subject to change, possibly on a retroactive basis. This summary deals only with holders that will hold the Offered Bonds as "capital assets" (generally, property held for investment) and does not address tax considerations applicable to investors that may be subject to special tax rules, including financial institutions, tax-exempt organizations, insurance companies, dealers in securities or currencies, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, persons that will hold the Offered Bonds as a position in a hedging transaction, "straddle" or "conversion transaction" for tax purposes, regulated investment companies, real estate investment trusts, or persons that have a "functional currency" other than the U.S. dollar. If a partnership holds the Offered Bonds, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our Offered Bonds, you should consult your tax advisor. This summary discusses the United States tax considerations applicable only to those purchasers who purchase the Offered Bonds in the initial offering at the price to investors set forth on the cover page of this offering memorandum and does not discuss the tax considerations applicable to other purchasers of the Offered Bonds. Moreover, this summary does not discuss alternative minimum tax consequences, if any, or any state, local or foreign tax consequences to holders of the Offered Bonds. We have not sought any ruling from the Internal Revenue Service (the "IRS") with respect to the statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS will agree with these statements and conclusions. **INVESTORS CONSIDERING THE PURCHASE OF OFFERED BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE UNITED STATES FEDERAL INCOME AND ESTATE TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES ARISING UNDER THE LAWS OF ANY STATE, LOCAL OR FOREIGN TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.**

United States Holders

As used in this tax discussion, a "United States Holder" means the beneficial owner of an Offered Bond that for United States federal income tax purposes is:

- (1) an individual who is a citizen or resident of the United States;
- (2) a corporation, or other entity taxable as a corporation for United States federal income tax purposes, that was created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- (3) an estate the income of which is subject to United States federal income taxation regardless of its source; or
- (4) a trust (i) if it is subject to the supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (ii) that has a valid election in effect under applicable United States Treasury Regulations to be treated as a United States person.

Interest

The stated interest on an Offered Bond generally will be includable in your income as ordinary income at the time the interest is received or accrued, in accordance with your method of accounting for United States federal income tax purposes.

A portion of the purchase price of the Offered Bonds may be attributable to interest accrued for the period prior to the issue date of the Offered Bonds. Consequently, the Offered Bonds should be treated as having been sold for an amount that excludes any pre-issuance accrued interest. If the Offered Bonds are so treated, a portion of the first stated interest payment equal to any excluded pre-issuance accrued interest will be treated as a return of such pre-issuance accrued interest and will not be taxable as interest on the Offered Bonds.

Original Issue Discount

The Offered Bonds are being issued at a discount from their principal amount at maturity. For U.S. federal income tax purposes, the excess of the principal amount at maturity of each Offered Bond over its issue price constitutes original issue discount ("OID"). The issue price of each Offered Bond is the first price at which a substantial amount of the Offered Bonds are sold (other than to an underwriter, placement agent or wholesaler). You will be required to include any OID in income as it accrues, in accordance with a constant yield method, before receipt of the cash attributable to such income, regardless of your regular method of accounting for U.S. federal income tax purposes. Under these rules, you will have to include in gross income increasingly greater amounts of any OID in each successive accrual period. Your original tax basis for determining gain or loss on the sale or other disposition of an Offered Bond will be increased by any accrued OID included in your gross income.

You may elect, subject to certain limitations, to include all interest that accrues on an Offered Bond in gross income on a constant yield basis. For purposes of this election, interest includes stated interest and OID. When applying the constant yield method to an Offered Bond for which this election has been made, the issue price of an Offered Bond will equal your basis in the Offered Bond immediately after its acquisition and the issue date of the Offered Bond will be the date of its acquisition by you. This election generally will apply only to the Offered Bond with respect to which it is made and may not be revoked without IRS consent.

Certain Payments Under Exchange Offer; Registration Rights

As more fully described under "Exchange Offer; Registration Rights," upon the occurrence of certain enumerated events, we may be required to pay additional interest to you. We intend to take the position that you should be required to report any additional interest as ordinary income for United States federal income tax purposes at the time it accrues or is received in accordance with your regular method of accounting. It is possible, however, that the IRS may take a different position, in which case the timing and amount of income may be different.

Sale, Exchange or Redemption of the Offered Bonds

Upon the sale, exchange, redemption, retirement or other taxable disposition of an Offered Bond, you generally will recognize capital gain or loss equal to the difference between:

- (1) the amount of cash proceeds and the fair market value of any property received on the sale or other taxable disposition (except to the extent this amount is attributable to accrued interest income that has not been previously included in income, which is taxable as ordinary income) and
- (2) your adjusted tax basis in the Offered Bond.

Your adjusted tax basis in an Offered Bond generally will equal the amount you paid for the Offered Bond, less any principal payments received by you. The gain or loss will be long-term capital gain or loss if you held the Offered Bond for more than one year. Long-term capital gains of individuals, estates and trusts are generally taxed at a maximum rate of 20%. The deductibility of capital losses is subject to certain limitations.

Treatment of Delayed Delivery Bonds

We intend to take the position that the Delayed Delivery Bonds have the same characteristics for United States federal income tax purposes as the Initial Delivery Bonds. If the Delayed Delivery Bonds are not issued, amounts received by initial purchasers that are attributable to interest on the escrowed funds and the additional payment required to be made by us will be taxable to an initial purchaser as ordinary income.

Exchange Offer

The exchange of the Offered Bonds for Exchange Bonds pursuant to the Exchange Offer (please see "Exchange Offer; Registration Rights") should not be an exchange or otherwise be a taxable event to a holder for United States federal income tax purposes. Accordingly, a holder should have the same adjusted issue price, adjusted basis and holding period in the Exchange Bonds as it had in the Offered Bonds immediately before the exchange.

Information Reporting and Backup Withholding Tax

In general, information reporting requirements will apply to certain non-corporate United States Holders with respect to payments of principal and interest (including OID) on an Offered Bond and to the proceeds of the sale of an Offered Bond, and a backup withholding tax also may apply to these payments. If you are such a United States Holder, you generally will be subject to backup withholding unless you provide to the appropriate intermediary a correct taxpayer identification number and certain other information, certified under penalties of perjury, or you otherwise establish an exemption.

Any amounts withheld from a payment under the backup withholding rules may be allowed as a credit against your United States federal income tax liability and may entitle you to a refund, provided that the required information is furnished to the IRS.

Non-United States Holders

As used in this tax discussion, a non-United States Holder means any beneficial owner of an Offered Bond that is not a United States Holder. The rules governing the United States federal income and estate taxation of a non-United States Holder are complex, and no attempt will be made herein to provide more than a summary of the material aspects of those rules. Special rules may apply to a non-United States Holder that is a controlled foreign corporation, passive foreign investment company or foreign personal holding company and therefore subject to special treatment under the Code.

Payment of Interest

Payments of interest (including OID) on an Offered Bond will qualify for the "portfolio interest" exemption and, therefore, will not be subject to United States federal income tax or withholding tax, provided that this interest income is not effectively connected with a United States trade or business conducted by you and provided that you:

- (1) do not actually or constructively own 10% or more of the combined voting power of all classes of our stock entitled to vote;
- (2) are not, for United States federal income tax purposes, a controlled foreign corporation related to us through sufficient stock ownership;
- (3) are not a bank receiving interest described in Section 881(c)(3)(A) of the Code; and
- (4) you appropriately certify as to your foreign status.

You can meet the certification requirement by providing a properly executed Form W-8BEN or appropriate substitute form to us, or our paying agent. If you hold the Offered Bonds through a financial institution, you may be required to provide appropriate certifications to this institution. This institution will then generally be required to provide appropriate certifications to us or our paying agent, either directly or through other intermediaries. Special rules apply to foreign partnerships, estates and trusts, and in certain circumstances certifications as to the foreign status of partners, trust owners or beneficiaries may have to be provided to us or our paying agent. In addition, special rules apply to qualified intermediaries that enter into withholding agreements with the IRS.

A non-United States Holder generally will be taxed in the same manner as a United States Holder with respect to interest (including OID) if the interest income is effectively connected with a United States trade or business of the non-United States Holder. A non-United States Holder that is eligible for the benefits of a tax treaty generally will be subject to United States federal income tax on "effectively connected" income or gain only if it is also attributable to a permanent establishment maintained by the non-United States Holder in the United States. Effectively connected interest received by a corporate non-United States Holder may also, under certain circumstances, be subject to an additional "branch profits tax" at a 30% rate (or, if applicable, a lower treaty rate). Even though this effectively connected interest is subject to income tax, and may be subject to the branch profits tax, it is not subject to withholding tax (unless derived through a partnership) if the non-United States Holder delivers IRS Form W-8ECI (or successor form) to us or our agent.

Interest income of a non-United States Holder that is not effectively connected with a United States trade or business and that does not qualify for the portfolio interest exemption described above will be subject to a withholding tax at a 30% rate (or, if applicable, a lower treaty rate).

In the event the Delayed Delivery Bonds are not issued, amounts received by initial purchasers that are attributable to interest on the escrowed funds and the additional payment required to be made by us should be treated in a manner similar to the interest payments on the Initial Delivery Bonds.

Sale, Exchange or Redemption of the Offered Bonds

You will generally not be subject to United States federal income tax or withholding tax on any gain realized on the sale, exchange, redemption or other disposition of an Offered Bond unless:

- (1) the gain is effectively connected with your conduct of a United States trade or business (except to the extent that an applicable treaty otherwise provides);
- (2) you are an individual who has been present in the United States for a period or periods aggregating 183 days or more during the taxable year of the disposition, and certain other requirements are met; or
- (3) you are subject to tax pursuant to the provisions of the Code applicable to certain United States expatriates.

Certain U.S. Federal Estate Tax Considerations for Non-United States Holders

An Offered Bond beneficially owned by an individual who is not a citizen or resident of the United States at the time of death will generally not be subject to United States federal estate tax, provided that the beneficial owner did not at the time of death actually or constructively own 10% or more of the combined voting power of all classes of our stock entitled to vote, and provided that, at the time of the beneficial owner's death, payments with respect to that Offered Bond would not have been effectively connected with the beneficial owner's conduct of a trade or business within the United States.

Information Reporting and Backup Withholding Tax

Payments to a non-United States Holder of interest (including OID) on a note, and amounts withheld from such payments, if any, generally will be required to be reported to the IRS and to the non-United States Holder.

United States backup withholding tax generally will not apply to payments of interest and principal on an Offered Bond to a non-United States Holder if the statement described in "Non-United States Holders — Payment of Interest" is duly provided by the holder or the holder otherwise establishes an exemption, provided that we do not have actual knowledge or reason to know that the holder is a United States person.

Information reporting requirements and backup withholding tax generally will not apply to any payment of the proceeds of the sale of an Offered Bond effected outside the United States by a foreign office of a "broker" (as defined in applicable United States Treasury Regulations). However, if the broker:

- (1) is a United States person;
- (2) derives 50% or more of its gross income from all sources for certain periods from the conduct of a United States trade or business;
- (3) is a controlled foreign corporation as to the United States; or
- (4) is a foreign partnership in which one or more United States persons, in the aggregate, own more than 50% of the income or capital interests in the partnership or is a foreign partnership that is engaged in a trade or business in the United States;

then payment of the proceeds by the foreign office of the broker will be subject to information reporting requirements unless the broker has documentary evidence in its records that the beneficial owner is a non-United States Holder and certain other conditions are met, or the beneficial owner otherwise establishes an exemption.

Payment of the proceeds of any sale of an Offered Bond to or through the United States office of a foreign or U.S. broker is subject to information reporting and backup withholding requirements, unless the beneficial owner of the Offered Bond provides the statement described in "Non-United States Holders — Payment of Interest" or otherwise establishes an exemption and the broker does not have actual knowledge or reason to know that the payee is a United States person or that the exemption conditions are not satisfied.

Any amounts withheld from a payment to a non-United States Holder under the backup withholding rules generally will be allowed as a credit against the non-United States Holder's United States federal income tax liability and may entitle the non-United States Holder to a refund, provided that the required information is provided to the IRS.

NOTICES TO INVESTORS

Each purchaser of Offered Bonds from the initial purchasers, by its acceptance of the Offered Bonds, will be deemed to have acknowledged, represented to and agreed with us and the initial purchasers as follows:

- (1) It understands and acknowledges that:
 - the Offered Bonds have not been registered under the Securities Act or any other applicable securities law;
 - the Offered Bonds are being offered for resale in transactions not requiring registration under the Securities Act or any other securities laws, including sales pursuant to Rule 144A; and
 - unless so registered, the Offered Bonds may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities laws, under an exemption from the securities laws or in a transaction not subject to the securities laws, and in each case in compliance with the conditions for transfer set forth in paragraph (4) below.
- (2) It is not our "affiliate," as defined in Rule 501(b) under the Securities Act, or acting on our behalf, and it is a "qualified institutional buyer," as defined in Rule 144A (referred to as a "QIB"), and is aware that any sale of the Offered Bonds to it will be made in reliance on Rule 144A and the acquisition will be for its own account or for the account of another QIB.
- (3) It acknowledges that neither we, the initial purchasers nor any person representing us or the initial purchasers has made any representation to it with respect to us or the offering of the Offered Bonds, other than the information contained or incorporated by reference in this offering memorandum, which offering memorandum has been delivered to it. Accordingly, it acknowledges that the initial purchasers make no representation or warranty as to the accuracy or completeness of such materials. It has had access to financial and other information concerning us and the Offered Bonds as it has deemed necessary in connection with its decision to purchase the Offered Bonds, including an opportunity to ask questions of and request information from us and the initial purchasers.
- (4) It is purchasing the Offered Bonds for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment purposes and not with a view to, or for offer or sale in connection with, any distribution of the Offered Bonds in violation of the Securities Act, subject to any requirement of law that the disposition of its property or the property of that investor account or accounts be at all times within its or their control and subject to its or their ability to resell the Offered Bonds pursuant to Rule 144A or any other available exemption from registration under the Securities Act. It agrees on its own behalf and on behalf of any investor account for which it is purchasing the Offered Bonds, and each subsequent holder of

the Offered Bonds by its acceptance of the Offered Bonds will agree, to offer, sell or otherwise transfer the Offered Bonds before the date that is two years after the later of the date of original issuance of the Offered Bonds and the last date that we or any of our affiliates was the owner of the Offered Bonds, or any predecessor of the Offered Bonds (referred to as the "resale restriction termination date") only:

- (a) to us;
- (b) pursuant to a registration statement that has been declared effective under the Securities Act;
- (c) for so long as the Offered Bonds are eligible for resale pursuant to Rule 144A, to a person it reasonably believes is a QIB that is purchasing for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A;
- (d) to an institutional accredited investor purchasing for its own account or for the account of an institutional accredited investor, in each case for investment purposes and not with a view to, or for offer or sale in connection with, any distribution in violation of the Securities Act; or
- (e) pursuant to another available exemption from the registration requirements of the Securities Act, subject in each of the above cases to any requirement of law that the disposition of its property or the property of that investor account or accounts be at all times within its or their control and to compliance with applicable state securities laws.

The above restrictions on resale will not apply after the resale restriction termination date. If any resale or other transfer of the Offered Bonds is proposed to be made to an institutional accredited investor before the resale restriction termination date, the transferor shall deliver to us and the Trustee a letter from the transferee substantially in the form prescribed in the Supplemental Indenture governing the Offered Bonds, which must provide, among other things, that the transferee is an institutional accredited investor that is acquiring the Offered Bonds for investment purposes and not with a view to, or for offer or sale in connection with, any distribution in violation of the Securities Act. Each purchaser acknowledges that we and the Trustee reserve the right before any offer, sale or other transfer of the Offered Bonds before the resale restriction termination date according to clauses (d) or (e) above to require the delivery of an opinion of counsel, certifications and/or other information satisfactory to us and the Trustee.

Each purchaser acknowledges that each certificate representing an Offered Bond will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR, UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE (THE "RESALE RESTRICTION TERMINATION DATE") THAT IS TWO YEARS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH ILLINOIS POWER COMPANY (THE "COMPANY") OR ANY AFFILIATE OF THE COMPANY WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), ONLY (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER

THE SECURITIES ACT. (C) FOR SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT THAT PURCHASES SUCH SECURITY FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A. (D) TO AN INSTITUTIONAL "ACCREDITED INVESTOR" WITHIN THE MEANING OF RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT THAT IS AN INSTITUTIONAL ACCREDITED INVESTOR ACQUIRING THE SECURITY FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER INSTITUTIONAL ACCREDITED INVESTOR. IN EACH CASE, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO OR FOR OFFER OR SALE IN CONNECTION WITH ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, OR (E) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (i) PURSUANT TO CLAUSES (D) OR (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/ OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND (ii) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE.

- (5) It acknowledges that we, the initial purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations, warranties and agreements and agrees that, if any of the acknowledgments, representations, warranties or agreements deemed to have been made by it by its purchase of Offered Bonds is no longer accurate, it shall promptly notify us and the initial purchasers. If it is acquiring any Offered Bonds as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the above acknowledgments, representations, warranties and agreements on behalf of each account.
- (6) It acknowledges that the Trustee will not be required to accept for registration any Offered Bonds acquired by it except upon presentation of evidence satisfactory to us and the Trustee that the restrictions set forth in this section have been complied with.
- (7) It agrees to give each person to whom it transfers Offered Bonds notice of any restrictions on transfer of such Offered Bonds.
- (8) The purchaser shall not sell or otherwise transfer such Offered Bonds to, and each purchaser represents and covenants that it is not acquiring the Offered Bonds for or on behalf of, a pension or welfare plan (as defined in Section 3 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) or plan as defined in Section 4975 of the Code (collectively, a "Plan"), except that such a purchase for or on behalf of a Plan shall be permitted:
 - (a) to the extent such purchase is made by or on behalf of a bank collective investment fund maintained by the purchaser in which no Plan (together with any other Plans maintained by the same employer or employee organization) has an interest in excess of ten percent of the total assets in such collective investment fund and the conditions of Section III of the Prohibited Transaction Class Exemption 91-38 issued by the Department of Labor are satisfied;
 - (b) to the extent such purchase is made by or on behalf of an insurance company pooled separate account maintained by the purchaser in which no Plan (together with any other Plan maintained by the same employer or employee organization) has an interest in excess

of ten percent of the total assets in such pooled separate account and the conditions of Section III of the Prohibited Transaction Class Exemption 90-1 issued by the Department of Labor are satisfied;

- (c) to the extent such purchase is made on behalf of a Plan by (a) an investment adviser registered under the Investment Advisers Act of 1940 that has as of the last day of its most recent fiscal year total client assets under its management and control in excess of \$50,000,000 and had stockholders' or partners' equity in excess of \$750,000 as shown in its most recent balance sheet prepared in accordance with generally accepted accounting principles, (b) a bank as defined in Section 202(a)(2) of the Investment Advisers Act of 1940, that has the power to manage, acquire or dispose of assets of a Plan, with equity capital in excess of \$1,000,000 as of the last day of its most recent fiscal year, (c) an insurance company that is qualified under the laws of more than one state to manage, acquire or dispose of any assets of a Plan and that has as of the last day of its most recent fiscal year, net worth in excess of \$1,000,000 and that is subject to supervision and examination by a state authority having supervision over insurance companies, or (d) a savings and loan association, the accounts of which are insured by the Federal Deposit Insurance Corporation, that has made application for and been granted trust powers to manage, acquire or dispose of assets of a Plan by a State or Federal authority having supervision over savings and loan associations, which savings and loan association has, as of the last day of its most recent fiscal year, equity capital or net worth in excess of \$1,000,000 and, in any case, such investment adviser, bank, insurance company or savings and loan is otherwise a "qualified professional asset manager," as such term is used in Prohibited Transaction Class Exemption 84-14 issued by the Department of Labor, with respect to such Plan, and the assets of such Plan managed by such investment advisor, bank, insurance company or savings and loan, when combined with the assets of other Plans established or maintained by the same employer (or affiliate thereof, as defined in such exemption) or employee organization and managed by such investment advisor, bank, insurance company or savings and loan do not represent more than 20% of the total client assets managed by such investment adviser, bank, insurance company or savings and loan and the conditions of Part I of such exemption are satisfied;
- (d) to the extent such Plan is a governmental plan (as defined in Section 3 of ERISA) that is not subject to the provisions of Title I of ERISA or Section 4975 of the Code;
- (e) to the extent such Plan is maintained outside of the United States primarily for the benefit of persons substantially all of whom are nonresident aliens and such ERISA plan is not subject to the provisions of Title I of ERISA or Section 4975 of the Code;
- (f) to the extent such purchase is made by or on behalf of an insurance company with assets in its insurance company general account, and the conditions of Prohibited Transactions Class Exemption 95-60 issued by the Department of Labor are satisfied; or
- (g) to the extent such purchase is made on behalf of a Plan by an in-house asset manager and the conditions of Part I of Prohibited Transactions Class Exemption 96-23 issued by the Department of Labor are satisfied.

PLAN OF DISTRIBUTION

We intend to offer the Offered Bonds through the initial purchasers. Merrill Lynch, Pierce, Fenner & Smith Incorporated and Credit Suisse First Boston Corporation are acting as initial purchasers. Subject to the terms and conditions contained in a purchase agreement between us and the initial purchasers, we have agreed to sell to the initial purchasers, and the initial purchasers severally have agreed to purchase from us, the principal amount of the Offered Bonds listed opposite their names below.

<u>Initial Purchaser</u>	<u>Principal Amount</u>
Merrill Lynch, Pierce, Fenner & Smith Incorporated	\$308,000,000
Credit Suisse First Boston Corporation	<u>242,000,000</u>
Total	<u>\$550,000,000</u>

The initial purchasers have agreed to purchase all of the Offered Bonds being sold pursuant to the purchase agreement if any of these Offered Bonds are purchased. If an initial purchaser defaults, the purchase agreement provides that the purchase commitments of the nondefaulting initial purchaser may be increased or the purchase agreement may be terminated. The initial purchasers have advised us that they propose initially to offer the Offered Bonds directly to investors at the price listed on the cover page of this offering memorandum.

We have agreed to indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the initial purchasers may be required to make in respect of those liabilities.

The initial purchasers are offering the Offered Bonds, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the Offered Bonds, and other conditions contained in the purchase agreement, such as the receipt by the initial purchasers of officer's certificates and legal opinions. The initial purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

The expenses of the offering, not including the initial purchasers' discount, are estimated to be approximately \$2.4 million and are payable by us.

Offered Bonds are not Being Registered

The initial purchasers propose to offer the Offered Bonds for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A. The initial purchasers will not offer or sell the Offered Bonds except to persons they reasonably believe to be qualified institutional buyers.

Each purchaser of the Offered Bonds will be deemed to have made acknowledgments, representations and agreements as described under "Notices to Investors."

New Issue of Offered Bonds

The Offered Bonds are a new issue of securities with no established trading market. We do not intend to apply for listing of the Offered Bonds on any national securities exchange or for quotation of the Offered Bonds on any automated dealer quotation system. The initial purchasers have advised us that they presently intend to make a market in the Offered Bonds after completion of this offering. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice.

The Offered Bonds are expected to be eligible for trading in the PortalSM Market, the National Association of Securities Dealers' market for designated securities through an automated quotation and communication system that facilitates private offerings, resales, trading, clearing and settlement of securities eligible for resale under Rule 144A. However, that does not ensure that a liquid or active public trading market for the Offered Bonds will develop. If an active trading market for the Offered Bonds does not develop, the market price and liquidity of the Offered Bonds may be adversely affected. If the Offered Bonds are traded, they may trade at a discount from their initial offering price, depending on prevailing interest rates, the market for similar securities, our performance, Dynegy's financial condition and other factors.

Price Stabilization and Short Positions

In connection with the offering, the initial purchasers may engage in transactions that stabilize the market price of the Offered Bonds. Such transactions consist of bids or purchases to peg, fix or maintain the price of the Offered Bonds. If the initial purchasers create a short position in the Offered Bonds in connection with the offering, i.e., if they sell more Offered Bonds than are listed on the cover page of this offering memorandum, the initial purchasers may reduce that short position by purchasing Offered Bonds in the open market. Purchases of a security to stabilize the price or to reduce a short position may cause the price of the security to be higher than it might be in the absence of such purchases.

Neither we nor the initial purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Offered Bonds. In addition, neither we nor the initial purchasers make any representation that the initial purchasers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Other Relationships

The initial purchasers and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us. Additionally, Credit Suisse First Boston Corporation has been engaged by Dynegy, our indirect parent, as a restructuring advisor. They have received customary fees and commissions for these transactions.

LEGAL OPINIONS

Schiff Hardin & Waite, Chicago, Illinois, Vinson & Elkins L.L.P., Houston, Texas and Joseph L. Lakshmanan, Assistant General Counsel of Illinois Power, will pass upon certain legal matters for us in connection with the Offered Bonds. Baker Botts L.L.P. will pass upon certain legal matters for the initial purchasers in connection with the Offered Bonds. Baker Botts L.L.P. has performed, and continues to perform, significant legal services for Dynegy, including matters relating to litigation arising out of the merger agreement between Dynegy, Enron and their respective affiliates, Dynegy's regulatory investigations and shareholder litigation as well as its ongoing restructuring initiatives.

INDEPENDENT ACCOUNTANTS

The audited consolidated financial statements of Illinois Power Company and subsidiaries as of and for the years ended December 31, 2000 and 2001, incorporated by reference into this offering memorandum, have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report with respect thereto; however, Arthur Andersen has not consented to our incorporation by reference of these reports. Because of Arthur Andersen's current financial position, investors in the Offered Bonds may not be able to recover against Arthur Andersen for any claims they may have under securities or other laws as a result of Arthur Andersen's activities during the period in which it acted as our independent public accountants. Please read "Risk Factors — Your ability to recover from our former auditors, Arthur Andersen LLP, for any potential financial misstatements is limited."

The consolidated financial statements of Illinois Power Company for the year ended December 31, 1999, incorporated into this offering memorandum by reference to the Annual Report on Form 10-K for the year ended December 31, 2001, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing therein.

CHANGE IN ACCOUNTANTS

Prior to February 1, 2000, we engaged PricewaterhouseCoopers LLP as our independent accountants. On February 1, 2000, we dismissed PricewaterhouseCoopers LLP as our independent accountants effective upon the completion of PricewaterhouseCoopers LLP's audit of our financial statements as of and for the year ended December 31, 1999. PricewaterhouseCoopers LLP's reports on our financial statements as of and for the years ended December 31, 1999 and 1998 contained no adverse opinion or disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope or accounting principle. However, such reports contained explanatory paragraphs discussing (a) the Dynegy-Illinova merger on February 1, 2000, (b) the 1998 impairment of long-lived assets due to a commitment to exit nuclear operations, (c) a quasi-reorganization effected in December 1998, (d) the 1998 adoption of the provisions of Statement of Financial Accounting Standards No. 133, "Accounting for Derivatives and Hedging Activities" and Emerging Issues Task Force Statement 98-10, "Accounting for Energy Trading and Risk Management Activities" and (e) the discontinuance during 1997 in applying the provisions of Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" for the generation segment of our business. The decision to change accountants was approved by our Board of Directors in connection with the consummation of the Dynegy-Illinova merger.

In connection with its audits of our financial statements as of and for the years ended December 31, 1999 and 1998 and through March 30, 2000, there were no disagreements between PricewaterhouseCoopers LLP and us on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of PricewaterhouseCoopers LLP, would have caused them to make reference to the subject matter of the disagreements in connection with their reports on our financial statements as of and for the years ended December 31, 1999 and 1998.

None of the "reportable events" described in Item 304(a)(1)(v) of Regulation S-K occurred with respect to us within the years ended December 31, 1999 and 1998 and through March 30, 2000. We requested that PricewaterhouseCoopers LLP furnish us with a letter addressed to the SEC stating whether or not it agrees with the above statements. We filed a copy of such letter agreeing with such statements with the SEC on April 6, 2000 as an exhibit to a Current Report on Form 8-K/A.

On February 1, 2000, we engaged Arthur Andersen LLP as our new independent accountants. During the years ended December 31, 1999 and 1998 and through March 30, 2000, we did not consult Arthur Andersen regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our financial statements, and neither a written report nor oral advice was provided to us that Arthur Andersen concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial issue; or (ii) any matter that was either the subject of a disagreement, as that term is defined in Item 304(a)(1)(iv) of Regulation S-K and the related

instructions to Item 304 of Regulation S-K, or a reportable event, as that term is defined in Item 304(a)(1)(v) of Regulation S-K.

On March 15, 2002, we dismissed Arthur Andersen upon completion of Arthur Andersen's audit of our financial statements as of and for the year ended December 31, 2001. Arthur Andersen's reports on our financial statements as of and for the years ended December 31, 2001 and 2000 contained no adverse opinion or disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope or accounting principle. The decision to change accountants was approved by our Board of Directors.

In connection with its audits of our financial statements as of and for the years ended December 31, 2001 and 2000 and through the date of Arthur Andersen's dismissal, there were no disagreements with Arthur Andersen on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to Arthur Andersen's satisfaction, would have caused them to make reference to the subject matter of the disagreement in connection with their reports on our financial statements as of and for the years ended December 31, 2001 and 2000.

None of the "reportable events" described in Item 304(a)(1)(v) of Regulation S-K occurred with respect to us within the years ended December 31, 2001 and 2000 and through the date of Arthur Andersen's dismissal. We requested that Arthur Andersen furnish us with a letter addressed to the SEC stating whether or not it agrees with the above statements. We filed a copy of such letter agreeing with such statements with the SEC on April 4, 2002 as an exhibit to a Current Report on Form 8-K.

On March 15, 2002, we engaged PricewaterhouseCoopers LLP as our independent accountants. During the years ended December 31, 2001 and 2000 and through the date of Arthur Andersen's dismissal, we did not consult PricewaterhouseCoopers regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our financial statements, and neither a written report nor oral advice was provided to us that PricewaterhouseCoopers LLP concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial issue; or (ii) any matter that was either the subject of a disagreement, as that term is defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions to Item 304 of Regulation S-K, or a reportable event, as that term is defined Item 304(a)(1)(v) of Regulation S-K.

WHERE YOU CAN FIND MORE INFORMATION

We and our indirect parent company, Dynegy Inc., file annual, quarterly and special reports and other information with the SEC under the Exchange Act. The SEC maintains a web site that contains reports and other information about issuers, like us and Dynegy, who file reports electronically with the SEC. The address of that site is <http://www.sec.gov>. You should refer to this site for additional information about us and Dynegy. You may also read and copy this information at the Public Reference Room of the SEC, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, or obtain copies of this information by mail from the SEC Public Reference Room at prescribed rates. You may obtain information on the operation of the Public Reference Room by calling the SEC at (800) SEC-0330.

We are incorporating by reference into this offering memorandum the information we file with the SEC, which means:

- incorporated documents are considered part of this offering memorandum;
- we can disclose important information to you by referring you to those documents; and
- information that we file with the SEC will automatically update this offering memorandum.

We incorporate by reference into this offering memorandum the following documents, which we have previously filed with the SEC under the Exchange Act:

- our Annual Report on Form 10-K for the year ended December 31, 2001;
- our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2002, June 30, 2002 and September 30, 2002, as amended; and
- our Current Reports on Form 8-K filed on February 28, 2002, April 3, 2002, April 4, 2002, July 24, 2002, August 14, 2002, October 23, 2002 and December 12, 2002.

We also incorporate by reference each of the documents that we file in the future with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act until all the Offered Bonds have been sold.

Any statement contained in a document incorporated by reference herein shall be deemed to be modified or superseded for all purposes to the extent that a statement contained in this offering memorandum, or in any other subsequently filed document which is also incorporated or deemed to be incorporated by reference, modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this offering memorandum.

We have agreed that, for so long as any Offered Bonds remain outstanding, if we are not subject to the informational requirements of Section 13 or 15(d) of the Exchange Act, we will furnish to holders and beneficial owners of the Offered Bonds and to prospective purchasers designated by such holders the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act to permit compliance with Rule 144A in connection with resales of the Offered Bonds.

You may request a copy of these filings (other than an exhibit to a filing unless that exhibit is specifically incorporated by reference into that filing) at no cost, by writing or telephoning our indirect parent company at the following address:

Dynegy Inc.
1000 Louisiana Street, Suite 5800
Houston, Texas 77002
Attention: Investor Relations
(713) 507-6400

\$550,000,000

Illinois Power Company

11½% Mortgage Bonds due 2010

OFFERING MEMORANDUM

Joint Book-Running Managers

Merrill Lynch & Co.
Credit Suisse First Boston

December 17, 2002
