

Witness:
R.K. McDonald

Commonwealth Edison Company
Embedded Cost of Long-term Debt Work Papers
End of Year 2006

Line No.	(A) Debt Issue Type Coupon Rate ^{1,2}	(B) Date Reacquired	(C) Amortization Period End Date	(D) Principal of Debt Reacquired	(E) Call Premium	(F) Net Gain or (Net Loss)	(G) Balance as of 12/31/06	(H) Monthly Amortization	(I) Annual Amortization (I)=(H)x12	
1	Unamortized Loss on Reacquired Debt									
2	First Mortgage Bonds									
3	14.250%	Series 46	11/24/87	04/15/15	100,000,000	3,820,000	(4,690,683)	208,550	(2,097)	(25,165)
4	15.375%	Series 47	11/24/87	04/15/15	100,000,000	12,410,000	(13,618,887)	605,504	(6,089)	(73,063)
5	13.000%	Series 48	03/22/88	04/15/13	150,000,000	14,760,000	(17,231,562)	928,284	(12,301)	(147,606)
6	17.500%	Series 44	05/24/88	04/15/13	47,315,000	2,122,000	(2,161,698)	56,083	(564)	(6,767)
7	12.250%	Series 50	11/21/88	04/15/15	100,000,000	3,500,000	(3,839,210)	102,594	(1,032)	(12,380)
8	13.375%	Series 51	11/15/13	04/15/15	83,650,000	8,802,000	(9,670,777)	258,429	(2,599)	(31,184)
9	11.125%	Series 40	06/15/92	05/15/08	60,000,000	21,625,000	(4,276,666)	113,893	(6,919)	(83,028)
10	12.000%	Series 66	03/23/93	04/15/15	100,000,000	9,000,000	(9,791,995)	1,059,690	(10,656)	(127,868)
11	11.125%	Series 71	05/01/93	04/15/15	125,000,000	9,612,500	(11,593,775)	1,259,125	(12,661)	(151,930)
12	10.500%	Series 56	05/27/93	04/15/15	150,000,000	9,750,000	(11,536,825)	1,264,043	(12,711)	(152,527)
13	10.250%	Series 67	06/07/93	04/15/13	200,000,000	14,260,000	(17,087,634)	1,114,724	(14,772)	(177,258)
14	8.750%	Series 30	08/12/93	07/01/13	125,000,000	4,400,000	(4,656,080)	189,336	(2,427)	(29,129)
15	9.125%	Series 38	08/12/93	07/01/13	250,000,000	10,825,000	(12,880,562)	523,780	(6,715)	(80,582)
16	9.625%	Series 60	09/01/93	08/15/10	150,000,000	8,160,000	(10,825,027)	1,154,633	(26,564)	(318,768)
17	10.375%	1985	12/14/94	03/01/20	30,000,000	600,000	(1,615,843)	174,540	(1,105)	(13,257)
18	10.625%	1985	12/14/94	03/01/20	111,000,000	2,200,000	(6,825,849)	132,635	(839)	(10,074)
19	10.625%	1985	12/14/94	03/01/17				843,971	(6,919)	(83,022)
20	9.500%	Series 57	03/11/97	01/15/07	200,000,000	9,500,000	(10,747,227)	7,626	(15,498)	(185,976)
21	9.875%	Series 75	11/21/01	03/15/12	195,829,000	39,464,320	(22,887,616)	8,947,383	(143,260)	(1,719,120)
22	8.000%	Series 83	08/06/04	05/15/08	15,000,000	2,286,000	(2,119,349)	770,533	(46,781)	(561,366)
23	8.000%	Series 83	08/25/05	05/15/08	5,000,000	808,800	(753,250)	277,688	(16,859)	(202,308)
24	7.625%	Series 92	02/28/02	03/15/12	1,500,000	229,665	(251,684)	98,311	(1,574)	(18,889)
25	7.625%	Series 92	01/01/07	04/15/13	65,000,000	14,872,650	(17,067,050)	12,425,679	(16,540)	(198,476)
26	7.625%	Series 92	01/01/07	04/15/13	25,000,000	5,676,250	(6,504,261)	4,813,238	(63,736)	(764,837)
27	7.625%	Series 92	01/01/07	04/15/13	3,500,000	753,515	(868,270)	651,343	(8,625)	(103,501)
28	7.500%	Series 94	02/28/02	03/15/12	3,000,000	434,580	(506,548)	197,865	(3,168)	(38,017)
29	7.500%	Series 94	08/25/04	07/01/13	20,000,000	4,486,200	(5,012,259)	3,681,654	(47,171)	(566,050)
30	7.500%	Series 94B	08/26/04	01/15/09	4,100,000	417,544	(514,536)	239,453	(9,763)	(117,159)
31	7.500%	Series 94C	08/26/04	01/15/14	3,000,000	410,160	(611,534)	458,695	(5,425)	(65,095)
32	8.625%	Series 81	03/27/02	03/15/12	200,000,000	7,680,000	(7,521,684)	2,938,083	(47,042)	(564,504)
33	8.500%	Series 84	07/15/02	03/15/12	200,000,000	7,830,000	(9,146,102)	3,687,189	(59,038)	(708,456)
34	8.375%	Series 86	09/16/02	02/01/08	200,000,000	3,425,000	(4,880,560)	886,592	(67,975)	(815,700)
35	8.375%	Series 86	09/16/02	02/01/33		3,425,000		3,072,013	(9,813)	(117,751)
36	8.375%	Series 88	03/18/03	04/15/15	235,950,000	9,114,749	(12,244,541)	5,568,972	(55,972)	(671,640)
37	8.000%	Series 91	04/15/03	04/15/15	160,000,000	5,862,400	(11,858,267)	5,393,290	(54,231)	(650,766)
38	7.750%	Series 97	10/07/03	08/15/10	150,000,000	5,647,500	(13,929,493)	6,266,026	(144,055)	(1,728,660)
39	6.150%	Series 98	08/06/04	03/15/12	100,000,000	10,458,000	(17,062,796)	11,676,161	(186,823)	(2,241,872)
40	6.150%	Series 98	08/25/04	03/15/12	50,000,000	6,358,500	(9,660,835)	6,656,488	(106,506)	(1,278,073)
41	3.700%	Series 99	11/30/04	02/01/08	55,000,000	523,050	(3,506,055)	1,201,989	(92,092)	(1,105,104)
42	5.875%	Series 100	07/27/04	02/01/33	11,400,000	(185,592)	(788,382)	721,245	(2,302)	(27,627)
43	5.875%	Series 100	08/06/04	02/01/33	40,000,000	866,000	(4,283,438)	3,922,436	(12,521)	(150,246)
44	5.875%	Series 100	08/25/04	02/01/33	45,000,000	2,611,350	(6,455,972)	5,922,688	(18,905)	(226,863)
45	4.700%	Series 101	08/06/04	04/15/15	85,000,000	(499,800)	(8,553,071)	6,631,696	(66,638)	(799,660)
46	4.700%	Series 101	08/25/04	04/15/15	50,000,000	793,000	(6,118,209)	4,767,007	(47,901)	(574,812)
47	4.740%	Series 102	08/25/04	08/15/10	35,000,000	1,495,550	(2,950,995)	1,790,081	(41,155)	(493,862)
48	4.740%	Series 102	11/23/04	08/15/10	3,000,000	108,270	(227,854)	144,165	(3,315)	(39,774)
49	Interest Rate Swap Settlement³									
50	Interest Rate Swap Settlement³									
51	Interest Rate Swap Settlement³									
52	Interest Rate Swap Settlement³									
53	Interest Rate Swap Settlement³									
54										
55	Sinking Fund Debentures									
56	10.000%	Series 4	04/01/92	03/15/12	120,000,000	3,789,600	(3,981,788)	212,622	(3,404)	(40,853)
57	Subordinated Deferrable Interest Notes and Senior Notes									
58	8.480%		03/20/03	03/15/33	206,190,000	-	20,228,911	17,672,181	(56,201)	(674,406)
59	6.950%		08/06/04	07/15/18	60,000,000	11,509,200	(16,568,486)	13,714,320	(98,990)	(1,187,880)
60	6.950%		08/25/04	07/15/18	25,000,000	5,516,000	(7,624,035)	6,334,322	(45,721)	(548,654)
61	7.625%		08/25/04	01/15/07	5,000,000	552,250	(267,858)	4,602	-	-
62	Pollution Control Obligations									
63	11.750%	Joliet 1981	08/01/91	04/15/13	25,000,000	750,000	(1,424,316)	134,303	(1,780)	(21,356)
64	11.750%	Pekin 1981	08/01/91	04/15/13	25,000,000	750,000	(1,447,131)	136,454	(1,808)	(21,698)
65	11.500%	Waukegan 1981	08/01/91	04/15/13	10,000,000	300,000	(458,856)	43,267	(573)	(6,880)
66	10.125%	IEFFA 1980	09/03/91	04/15/13	15,000,000	375,000	(563,470)	53,370	(707)	(8,486)
67	10.375%	IEFFA 1980	09/03/91	04/15/13	25,000,000	625,000	(1,067,250)	101,087	(1,340)	(16,074)
68	8.375%	IEFFA 1979	03/11/94	01/15/14	10,000,000	100,000	(213,359)	9,264	(186)	(2,237)
69	8.500%	IEFFA 1979	03/11/94	01/15/14	40,000,000	400,000	(880,579)	38,236	(769)	(9,232)
70	9.750%	IEFFA 1983	04/01/94	01/15/14	16,000,000	400,000	(783,087)	34,106	(686)	(8,238)
71	11.375%	IEFFA 1984	11/21/94	11/01/19	42,200,000	844,000	(1,687,652)	268,962	(1,746)	(20,955)
72	5.875%	1977	05/15/03	05/15/17	40,000,000	-	(599,277)	444,105	(3,568)	(42,821)
73	Variable	1994B	09/30/03	11/01/19	42,200,000	-	(174,123)	138,946	(902)	(10,825)
74	Variable	1994C	11/28/03	03/01/20	50,000,000	-	(79,616)	64,510	(408)	(4,900)
75	Variable	1994D	03/21/05	03/01/17	91,000,000	-	(4,524,506)	3,846,700	(31,534)	(378,407)
76	TOTAL									
77	Unamortized Gain on Reacquired Debt									
78	First Mortgage Bonds									
79	7.250%		06/04/02	04/15/13	100,000,000	1,000,000	259,689	(150,004)	1,988	23,856
80	Interest Rate Swap Settlement³									
81	TOTAL									
					1,000,000	6,818,048	(3,030,061)	68,196	\$	818,354

Notes:

1-Listing sourced from Form 21 ILCC, pages 24a-24f.

2-Refunded with the proceeds from issuance of long-term debt with the maturity dates on page 2 of WPD-3.

3-The unamortized losses and gains on interest rate swap settlements are reported in FERC accounts 182.3 (Other Regulatory Assets) and 254 (Other Regulatory Liabilities), respectively.

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REFUNDING ISSUES
(A)

(B)

Line No.	Debt Issue Type Coupon Rate ¹		Maturity Date(s) of New Debt Issues			
1	First Mortgage Bonds					
2	14.250%	Series 46	Feb-2023	Apr-2015	(2)	
3	15.375%	Series 47	Feb-2023	Apr-2015	(2)	
4	13.000%	Series 48	Apr-2013			
5	17.500%	Series 44	Mar-1998	Feb-2023	Apr-2015	(2)
6	12.250%	Series 50	Mar-1998	Feb-2023	Apr-2015	(2)
7	13.375%	Series 51	Mar-1998	Feb-2023	Apr-2015	(2)
8	11.750%	Series 55	Oct-2006	Oct-2021	(3)	
9	11.125%	Series 40	May-2008			
10	12.000%	Series 66	Feb-2023	Apr-2015	(2)	
11	11.125%	Series 71	Feb-2023	Apr-2015	(2)	
12	10.500%	Series 56	Apr-2023	Apr-2015	(2)	
13	10.250%	Series 67	Apr-2013			
14	8.750%	Series 30	Jul-2005	Jul-2013		
15	9.125%	Series 38	Jul-2005	Jul-2013		
16	9.625%	Series 60	Jul-2023	Aug-2010	(2)	
17	10.375%	1985	Mar-2009	Mar-2020	(2)	
18	10.625%	1985	Mar-2009	Mar-2015	Mar-2020	Mar-2017 (2)
19	6.625%	1974A	Dec-2006			
20	9.500%	Series 57	Jan-2004	Jan-2007		
21	9.875%	Series 75	Mar-2012			
22	8.625%	Series 81	Mar-2012			
23	8.500%	Series 84	Mar-2012			
24	8.375%	Series 86	Jan-2008	Feb-2033		
25	7.625%	Series 92	Mar-2012			
26	7.500%	Series 94	Mar-2012			
27	7.250%	1991	Apr-2013			
28	8.375%	Series 88	Apr-2015			
29	8.000%	Series 91	Apr-2015			
30	7.750%	Series 97	Aug-2010			
31	Sinking Fund Debentures					
32	10.000%	Series 4	Feb-1997	Feb-2022	Mar-2012	(2)
33	Subordinated Deferrable Interest Notes					
34	8.480%		Mar-2033			
35	Pollution Control Obligations					
36	11.750%	Joliet Series 1981	Jun-2011	Apr-2013	(2)	
37	11.750%	Pekin Series 1981	Jun-2011	Apr-2013	(2)	
38	11.500%	Waukegan Series 1981	Jun-2011	Apr-2013	(2)	
39	10.125%	IEFFA Series '80	Jun-2011	Apr-2013	(2)	
40	10.375%	IEFFA Series '80	Jun-2011	Apr-2013	(2)	
41	8.375%	IEFFA Series '79	Jan-2004	Jan-2009	Jan-2014	
42	8.500%	IEFFA Series '79	Jan-2004	Jan-2009	Jan-2014	
43	9.750%	IEFFA Series '83	Jan-2004	Jan-2009	Jan-2014	
44	11.375%	IEFFA Series '84	Oct-2014	Nov-2019	(2)	
45	6.750%	Pekin Series 79	Dec-2006			
46	6.750%	Waukegan Series 1979	Dec-2006			
47	6.750%	Pekin Series B	Dec-2006			
48	6.800%	Pekin/Joliet '76	Dec-2006			
49	6.875%	Waukegan B	Dec-2006			
50	6.875%	Joliet Series B	Dec-2006			
51	6.875%	Pekin Series 1979	Dec-2006			
52	6.875%	Joliet Series 1979	Dec-2006			
53	5.875%	IDFA Series 1977	May-2017			
54	Variable	IDFA Series '94B	Nov-2019			
55	Variable	IDFA Series '94C	Mar-2020			
56	Variable	IDFA Series '94D	Mar-2017			

The following debt items were not refinanced:

			Original Maturity Date of Debt Issues
59	First Mortgage Bonds		
60	8.000%	Series 83	May-2008
61	7.625%	Series 92	Apr-2013
62	7.500%	Series 94	Jul-2013
63	5.700%	Series 94B	Jan-2009
64	5.850%	Series 94C	Jan-2014
65	6.150%	Series 98	Mar-2012
66	3.700%	Series 99	Feb-2008
67	5.875%	Series 100	Feb-2033
68	4.700%	Series 101	Apr-2015
69	4.740%	Series 102	Aug-2010
70	Subordinated Deferrable Interest Notes		
71	6.950%		Jul-2018
72	7.625%		Jan-2007
73			
74			
75			
76			

Notes:

- 1-Listing sourced from Form 21 ILCC, pages 24e and 24f.
- 2-The amortization period has changed due to the refunding of the long-term debt originally issued to refund this issue. Maturity date is that of the new long-term debt issue.
- 3-Redeemed in early 1999 with the proceeds from the Transitional Funding rust Notes. The associated unamortized debt expense of \$9,314,081 was written off, \$5,961,012 of which was written off in the fourth quarter of 1997 due to ComEd's discontinuance of the generation-related portion.

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e) 2. Sinking Fund Schedule

Interest Rate	Balance	Paydown Schedule
3.875%	\$2,000,000	\$1,000,000 payable 7/1/07, 1/1/08
4.625%	\$1,200,000	\$400,000 payable 7/1/07, 7/1/08, 1/1/09
4.750%	\$4,800,000	\$800,000 payable 6/1/07, 6/1/08, 6/1/09, 6/1/10, 6/1/11, 12/1/11

e) 6. Utility Guarantees

Surety	Bond Type	Principal	Obligee	Obligee State	Bond Amount	Effective Date	Exp Date	Renewal Type	Premium
Ordinance	ComEd		Various (401 Bonds)	IL	\$2,080,000	06/01/06	06/01/07	Release Needed	\$40,100
License Permit	ComEd		Forest Preserve Dist. Of Cook County	IL	\$25,000	08/04/06	08/04/07	Continuous	\$100
Perpetual Permit	ComEd		Chicago Park District	IL	\$50,000	08/24/06	08/24/07	Continuous	\$250
Highway Permit	ComEd		D.O.T. IL	IL	\$50,000	12/27/06	12/27/07	Continuous	\$250
Permit	ComEd		Ill. State Toll Comm	IL	\$50,000	10/01/01	10/01/08	Release Needed	\$1,000
				Total	\$2,255,000				

Witness:
R.K. McDonald

Commonwealth Edison Company
Embedded Cost of Long-term Debt Work Papers
End of Year 2006

Line
No.

- 1 Schedule D- 3 e) 1) - Provide the following work papers or documents supporting Schedule D-3:
2
3 Series 2002, \$100 million: The interest rate on this issue is determined through an auction procedure.
4 Interest on the bonds is adjusted based upon 7-day auction periods.
5 Auctions are conducted on each auction date by the auction agent. Broker-
6 dealers submit buy (bid), sell or hold orders to the auction agent. The auction agent assembles all orders
7 and determines the auction rate for the period. The auction rate for the period is the rate at which the last
8 bond is sold and clears all bids. WPD-3, pages 6 through 21 contain selected pages
9 from the offering book. Appendix B "Auction Procedures" is on pages 7 through 21. Note that Appendix B
10 pages are numbered B-1 through B-15. Pages B-4 through B-8 describe the auction procedures.
11 Pages B-8 through B-14 discuss the determination of the auction rate.
12 See WPD-3, page 22 for support of the interest rate used on Schedule D-3 for this issue.
13
14
15 Series 2003, \$40 million: The interest rate on this issue is determined through an auction procedure.
16 Interest on the bonds is adjusted based upon 35-day auction periods
17 Auctions are conducted on each auction date by the auction agent. Broker-
18 dealers submit buy (bid), sell or hold orders to the auction agent. The auction agent assembles all orders
19 and determines the auction rate for the period. The auction rate for the period is the rate at which the last
20 bond is sold and clears all bids. WPD-3, pages 23 through 39 contain selected pages
21 from the offering book. Appendix B "Auction Procedures" is on pages 24 through 39. Note that Appendix B
22 pages are numbered B-1 through B-16. Pages B-6 through B-10 describe the auction procedures.
23 Pages B-10 through B-16 discuss the determination of the auction rate.
24 See WPD-3, page 40 for support of the interest rate used on Schedule D-3 for this issue.
25
26
27 Series 2003B, \$42.2 million: The interest rate on this issue is determined through an auction procedure.
28 Interest on the bonds is adjusted based upon 7-day auction periods.
29 Auctions are conducted on each auction date by the auction agent. Broker-
30 dealers submit buy (bid), sell or hold orders to the auction agent. The auction agent assembles all orders
31 and determines the auction rate for the period. The auction rate for the period is the rate at which the last
32 bond is sold and clears all bids. WPD-3, pages 41 through 56 contain selected pages
33 from the offering book. Appendix B "Auction Procedures" is on pages 42 through 56. Note that Appendix B
34 pages are numbered B-1 through B-15. Pages B-4 through B-8 describe the auction procedures.
35 Pages B-8 through B-14 discuss the determination of the auction rate.
36 See WPD-3, page 57 for support of the interest rate used on Schedule D-3 for this issue.

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Line
No.

1 Series 2003C, \$50 million: The interest rate on this issue is determined through an auction procedure.
2 Interest on the bonds is adjusted based upon 7-day auction periods.
3 Auctions are conducted on each auction date by the auction agent. Broker-dealers submit
4 buy (bid), sell or hold orders to the auction agent. The auction agent assembles all orders
5 and determines the auction rate for the period. The auction rate for the period is the rate at which the last
6 bond is sold and clears all bids. WPD-3, pages 58 through 73 contain selected pages
7 pages from the offering book. Appendix B "Auction Procedures" is on pages 59 through 73. Note that
8 Appendix B pages are numbered B-1 through B-15. Pages B-4 through B-8 describe the auction procedures.
9 Pages B-8 through B-14 discuss the determination of the auction rate. Official Statement Supplement No. 1
10 dated November 17, 2003 that replaces B-2 in Appendix B for the definition of "Auction Rate" is on page 74.
11 See WPD-3, page 75 for support of the interest rate used on Schedule D-3 for this issue.
12
13 Series 2003D, \$19.975 million: The interest rate on this issue is determined through an auction procedure.
14 Interest on the bonds is adjusted based upon 35-day auction periods.
15 Auctions are conducted on each auction date by the auction agent. Broker-dealers submit
16 buy (bid), sell or hold orders to the auction agent. The auction agent assembles all orders and determines
17 the auction rate for the period. The auction rate for the period is the rate at which the last bond is sold
18 and clears all bids. WPD-3, pages 76 through 92 contain selected pages from the
19 offering book. Appendix B "Auction Procedures" is on pages 77 through 92. Note that Appendix B
20 pages are numbered B-1 through B-16. Pages B-6 through B-9 describe the auction procedures.
21 Pages B-10 through B-15 discuss the determination of the auction rate.
22 See WPD-3, page 93 for support of the interest rate used on Schedule D-3 for this issue.
23
24
25 Series 2005, \$91 million: The interest rate on this issue is determined through an auction procedure.
26 Interest on the bonds is adjusted based upon 7-day auction periods.
27 Auctions are conducted on each auction date by the auction agent. Broker-dealers submit
28 buy (bid), sell or hold orders to the auction agent. The auction agent assembles all orders and determines
29 the auction rate for the period. The auction rate for the period is the rate at which the last bond is sold
30 clears all bids. WPD-3 , pages 94 through 105 contain selected pages from the
31 offering book. Appendix B "Auction Procedures" is on pages 95 through 105 Note that Appendix B
32 pages are numbered B-1 through B-11. Pages B-3 through B-9 describe the auction procedures.
33 Pages B-9 through B-11 discuss the determination of the auction rate.
34 See WPD-3, page 106 for support of the interest rate used on Schedule D-3 for this issue.

NEW ISSUE — BOOK-ENTRY ONLY

Expected Ratings—

Moody's: Aaa

S&P: AAA

See "RATINGS" herein.

Subject to compliance by the Authority and the Company with certain covenants, in the opinion of Chapman and Cutler, Chicago, Illinois, Bond Counsel, under present law, interest on the Bonds is not includible in gross income of the owners thereof for federal income tax purposes, except for interest on any Bond for any period during which such Bond is owned by a person who is a substantial user of the Project or any person considered to be related to such person (within the meaning of Section 103(b)(13) of the Internal Revenue Code of 1954, as amended) and interest on the Bonds is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations. Such interest on the Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. See "TAX EXEMPTION" herein for a more complete discussion.

\$100,000,000
ILLINOIS DEVELOPMENT FINANCE AUTHORITY
POLLUTION CONTROL REVENUE REFUNDING BONDS
(Commonwealth Edison Company Project)

Series 2002

Originally issued as Floating Auction Tax-ExemptsSM ("FLOATs"SM)

Dated: Date of Original Issuance

Due: April 15, 2013

The Bonds will be issued to provide a portion of the funds to refund certain obligations issued to refinance the cost of certain air and water pollution control and sewage and solid waste disposal facilities of Commonwealth Edison Company, will be special, limited obligations of the Authority, and will be payable, except to the extent payable from Bond proceeds and certain other moneys pledged therefor, solely from and secured by a pledge of payments to be made under a Loan Agreement with, and secured by a First Mortgage Bond to be issued by, Commonwealth Edison Company.



Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued simultaneously with the delivery of the Bonds by

Ambac

The Bonds will be issued in fully-registered form initially in denominations of \$25,000, or any multiple thereof, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. See "THE BONDS—Book-Entry System" herein.

The Bonds will initially accrue interest as FLOATs. The Bonds will bear interest from their date of delivery at the rate established for the Initial Auction Period which ends on July 8, 2002, and thereafter at the Auction Rate established for each subsequent Auction Period. Interest on the Bonds will be adjusted based upon 35-day Auction Periods (or, at the option of the Company, other multiples of 7 days), subject to adjustment in the event that an Auction Date or Interest Payment Date is not a Business Day. The first Auction Date for the Bonds shall be July 8, 2002. The Interest Payment Date with respect to an Auction Period is the Business Day immediately following the last day of each Auction Period.

The interest rate of the Bonds may be converted from a rate determined in relation to an Auction Period to a rate determined in relation to a different Rate Period, following mandatory tender for purchase (with no right to retain Bonds) on the related Conversion Date, as described herein. The Bonds, while bearing interest at an Auction Rate, are subject to redemption and to mandatory tender for purchase prior to maturity in the manner and at the times described herein. See "THE BONDS—Mandatory Tender for Purchase" and "THE BONDS—Optional Redemption" and "—Mandatory Redemption" herein.

Prospective purchasers of the Bonds should carefully review the Auction Procedures described in Appendix B hereto, and should note that such procedures provide that (i) a Bid or Sell Order (as herein defined) constitutes a commitment to purchase or sell Bonds based upon the results of an Auction (as herein defined), (ii) Auctions will be conducted through telephone communications and (iii) settlement for purchases and sales will be made on the Business Day following an Auction. Beneficial interests in Bonds may be transferred only pursuant to a Bid or Sell Order placed in an Auction or to or through a Broker-Dealer (as herein defined). This Official Statement does not provide any information regarding the Bonds after the date, if any, on which the Bonds are converted to bear interest at interest rates other than the Auction Rate.

Principal of and premium, if any, and interest on the Bonds will be paid to Cede & Co. by wire transfer, subject to certain exceptions described herein.

PRICE 100%

The Bonds are special, limited obligations of the Authority and shall be payable solely from the revenues and receipts derived under the Loan Agreement by the Authority and from payments to be made by the Company on the First Mortgage Bond pledged under the Loan Agreement (except, as provided in the Indenture and the Loan Agreement, to the extent paid out of moneys attributable to Bond proceeds or to the income from the temporary investment thereof). The Bonds shall not be deemed to constitute an indebtedness or an obligation, general or moral, of the Authority, the State of Illinois or any political subdivision thereof within the purview of any constitutional limitation or statutory provision or a charge against the general credit or taxing powers of the State of Illinois or any political subdivision thereof, or the general credit of the Authority. The Authority has no taxing power. No owner of the Bonds shall have the right to compel any exercise of the taxing power of the State of Illinois or any political subdivision thereof to pay any principal of or premium, if any, or interest on the Bonds.

The Bonds are offered, subject to prior sale, when, as and if issued and accepted by the Underwriters subject to the approval of legality by Chapman and Cutler, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Company by Sidley Austin Brown & Wood, counsel to the Company, for the Authority by Kevin M. Cahill, Esq., counsel to the Authority, and for the Underwriters by Squire, Sanders & Dempsey L.L.P., counsel to the Underwriters. It is expected that delivery of the Bonds will be made on or about June 4, 2002 through the facilities of DTC.

Merrill Lynch & Co.

**Banc One Capital
Markets, Inc.**

Loop Capital Markets, LLC

This Official Statement is dated May 20, 2002 and the information contained herein speaks only as of that date.

SMFLOATs is a service mark of Merrill Lynch & Co.

Appendix B

AUCTION PROCEDURES

This Appendix B does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the Indenture, copies of which may be obtained from the Trustee.

Auction Rate Definitions

The following terms shall have the following meanings unless the context clearly requires otherwise.

“*Agent Member*” means a member of, or participant in, the Securities Depository who will act on behalf of a Bidder.

“*Auction*” means each periodic implementation of the Auction Procedures.

“*Auction Agent*” means the auctioneer appointed in accordance with “Auction Agent” and “Qualifications of Auction Agent; Resignation; Removal” of this Appendix B and initially shall be Wilmington Trust Company, a Delaware Trust Company.

“*Auction Agreement*” means an agreement between the Auction Agent and the Trustee pursuant to which the Auction Agent agrees to follow the procedures specified in this Appendix B, as such agreement may from time to time be amended or supplemented.

“*Auction Date*” means, during any Auction Period in which the Auction Procedures are not suspended in accordance with the provisions of the Indenture, the last Monday of the immediately preceding Auction Period (or such other day that the Market Agent shall establish as the Auction Date therefor pursuant to the provisions set forth in this Appendix B) or the next Business Day if such Monday or other day is not a Business Day; provided, however, that the last Auction Date in an Auction Period shall be the earlier of (i) the Business Day next preceding the last Interest Payment Date before the effective date of the conversion to a different Rate Period and (ii) the Business Day next preceding the last Interest Payment Date before the date of maturity of the Bonds. The first Auction Date for the Bonds as FLOATs is July 8, 2002.

“*Auction Period*” means:

(i) the Initial Auction Period, or the period from and including an Auction Rate Conversion Date, to and including the first Auction Date following such Auction Rate Conversion Date, as applicable; and

(ii) thereafter until the effective date of a conversion to a different Rate Period or until the date of maturity of the Bonds, each period of 35 days from and including the last Interest Payment Date for the immediately preceding Auction Period to and including the next succeeding Auction Date or, in the event of an Auction Period with an Interest Payment Date on a Monday, the Sunday following the next succeeding Auction Date, or in the event of a conversion to a different Rate Period, to but excluding the effective date of such conversion;

provided, if any day that would be the last day of any such period does not immediately precede a Business Day, such period shall end on the next day which immediately precedes a Business Day. Except as provided herein, under these procedures the FLOATs will have 35-day Auction Periods or, at the option of the Company as provided in the Indenture, Auction Periods of any integral multiple of seven days.

“*Auction Procedures*” means the procedures for conducting Auctions for the FLOATs during an Auction Period set forth in this Appendix B.

“*Auction Rate*” means (i) if Sufficient Clearing Bids exist, the Winning Bid Rate; *provided, however*, if all of the FLOATs are the subject of Submitted Hold Orders, the Minimum Auction Rate and (ii) if Sufficient Clearing Bids do not exist, the Maximum Rate.

“*Auction Rate Conversion Date*” means the date on which the Bonds convert from a Rate Period other than an Auction Period and begin to bear interest at an Auction Rate.

“*Available Bonds*” means the aggregate principal amount of FLOATs that are not the subject of Submitted Hold Orders.

“*Bid*” shall have the meaning specified in subsection (a) under “Orders by Existing Owners and Potential Owners” of this Appendix B.

“*Bidder*” means each Existing Owner and Potential Owner who places an Order.

“*Broker-Dealer*” means any entity that is permitted by law to perform the function required of a Broker-Dealer in this Appendix B that is a member of, or a direct participant in, the Securities Depository, that has been selected by the Company, and that is a party to a Broker-Dealer Agreement with the Auction Agent.

“*Broker-Dealer Agreement*” means an agreement between the Auction Agent and a Broker-Dealer pursuant to which such Broker-Dealer agrees to follow the procedures specified in this Appendix B, as such agreement may from time to time be amended or supplemented.

“*Existing Owner*” means a Person or a Broker-Dealer who is listed as the Beneficial Owner of the FLOATs in the records of the Auction Agent.

“*FLOATs Index*” shall have the meaning specified under the heading “FLOATs Index” of this Appendix B.

“*Hold Order*” shall have the meaning specified in subsection (a) under “Orders by Existing Owners and Potential Owners” of this Appendix B.

“*Market Agent*” means Merrill Lynch, Pierce, Fenner & Smith Incorporated and any successor.

“*Maximum Rate*” means 12% per annum.

“*Minimum Auction Rate*” means, as of any Auction Date, the per annum rate equal to 55% of the FLOATs Index in effect on such Auction Date.

“*No Auction Rate*” means, as of any Auction Date, the lesser of the Maximum Rate and the rate determined by multiplying the Percentage of FLOATs Index set forth below, based on the Prevailing

Rating of the FLOATs in effect at the close of business on the Business Day immediately preceding such Auction Date, by the FLOATs Index:

Prevailing Rating of FLOATs	Percentage of FLOATs Index
AAA/Aaa	65%
AA/Aa	70%
A/A	85%
Below A/A	100%

“*Order*” means a Hold Order, Bid or Sell Order.

“*Payment Default*” means (a) the failure to make payment of interest and premium, if any, on and principal of the FLOATs when due followed by (b) the failure of the Insurer to pay a proper claim under the Municipal Bond Insurance Policy.

“*Potential Owner*” means any Person, including any Existing Owner, who may be interested in acquiring a beneficial interest in any FLOATs in addition to the FLOATs at the time owned by such Person, if any.

“*Prevailing Rating*” means:

“AAA/Aaa,” if the FLOATs shall have a rating of “AAA” by S&P and a rating of “Aaa” by Moody’s; if not “AAA/Aaa,” “AA/Aa” if the FLOATs shall have a rating of “AA-” or better by S&P and “Aa3” or better by Moody’s; if not “AAA/Aaa” or “AA/Aa,” “A/A” if the FLOATs shall have a rating of “A-” or better by S&P and “A3” or better by Moody’s; and if none of the above, then below “A/A,” whether or not the FLOATs are rated by any securities rating agency. For purposes of this definition, S&P’s rating categories of “AAA,” “AA” and “A-” and Moody’s rating categories of “Aaa,” “Aa3” and “A3” shall be deemed to refer to and include the respective rating categories correlative thereto in the event that any such rating agencies shall have changed or modified their generic rating categories or if any successor thereto appointed in accordance with the definitions thereof shall use different rating categories. If the FLOATs are not rated by S&P or Moody’s, the requirement of a rating by S&P or Moody’s, as the case may be, shall be disregarded. If the ratings for the FLOATs are split between two or more of the foregoing categories, the lower rating will determine the Prevailing Rating.

“*Principal Office of the Auction Agent*” means the office of the Auction Agent designated in writing to the Authority, the Trustee, the Market Agent, the Company and each Broker-Dealer.

“*Rate Period*” means the period during which a particular rate of interest determined for the Bonds is to remain in effect.

“*Securities Depository*” means The Depository Trust Company and its successors and assigns or any other securities depository selected by the Trustee which agrees to follow the procedures required to be followed by such securities depository in connection with the FLOATs.

“*Sell Order*” shall have the meaning specified in subsection (a) under “Orders by Existing Owners and Potential Owners” of this Appendix B.

“*Submission Deadline*” means 1:00 p.m., New York City time, on each Auction Date, or such other time on such date as shall be specified from time to time by the Auction Agent pursuant to the

Auction Agreement as the time by which Broker-Dealers are required to submit Orders to the Auction Agent.

“*Submitted Bid*” shall have the meaning specified in subsection (b) under “Determination of Auction Rate” of this Appendix B.

“*Submitted Hold Order*” shall have the meaning specified in subsection (b) under “Determination of Auction Rate” of this Appendix B.

“*Submitted Order*” shall have the meaning specified in subsection (b) under “Determination of Auction Rate” of this Appendix B.

“*Submitted Sell Order*” shall have the meaning specified in subsection (b) under “Determination of Auction Rate” of this Appendix B.

“*Sufficient Clearing Bids*” means an Auction for which the aggregate principal amount of the FLOATs that are the subject of Submitted Bids by Potential Owners specifying one or more rates not higher than the Maximum Rate is not less than the aggregate principal amount of the FLOATs that are the subject of Submitted Sell Orders and of Submitted Bids by Existing Owners specifying rates higher than the Maximum Rate.

“*Winning Bid Rate*” means the lowest rate in any Submitted Bid which, if selected by the Auction Agent as the Auction Rate, would cause the aggregate principal amount of FLOATs that are the subject of Submitted Bids specifying rates not greater than such rate to be at least equal to the aggregate principal amount of Available Bonds.

The following is a summary of the procedures to be used in conducting Auctions and certain related matters. As a summary, it does not purport to be complete and is qualified in its entirety by reference to the Auction Procedures and related matters set forth in the Indenture, the Auction Agreement and the Broker-Dealer Agreements.

Auction Procedures

While the Bonds bear interest at the Auction Rate, Auctions shall be conducted on each Auction Date (other than the Auction Date immediately preceding (i) each Rate Period commencing after the ownership of the FLOATs is no longer maintained in the book-entry system; (ii) each Rate Period commencing after the occurrence and during the continuance of a Payment Default; or (iii) any Rate Period commencing less than two Business Days after the cure of a Payment Default). If there is an Auction Agent on such Auction Date, Auctions shall be conducted in the manner set forth in this Appendix B.

Orders by Existing Owners and Potential Owners

(a) Prior to the Submission Deadline on each Auction Date:

(i) each Existing Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, information as to:

(A) the principal amount of the FLOATs, if any, held by such Existing Owner which such Existing Owner irrevocably commits to continue to hold for

the next succeeding Auction Period without regard to the rate determined by the Auction Procedures for such Auction Period,

(B) the principal amount of the FLOATs, if any, held by such Existing Owner which such Existing Owner irrevocably commits to continue to hold for the next succeeding Auction Period if the rate determined by the Auction Procedures for such Auction Period shall not be less than the rate per annum then specified by such Existing Owner (and which such Existing Owner irrevocably offers to sell on the next succeeding Interest Payment Date if the rate determined by the Auction Procedures for the next succeeding Auction Period shall be less than the rate per annum then specified by such Existing Owner), and/or

(C) the principal amount of the FLOATs, if any, held by such Existing Owner which such Existing Owner irrevocably offers to sell on the next succeeding Interest Payment Date without regard to the rate determined by the Auction Procedures for the next succeeding Auction Period; and

(ii) for the purpose of implementing the Auctions and thereby to achieve the lowest possible interest rate on the FLOATs, the Broker-Dealers shall contact Potential Owners, including Persons that are Existing Owners, to determine the principal amount of the FLOATs, if any, which each such Potential Owner irrevocably offers to purchase if the rate determined by the Auction Procedures for the next succeeding Auction Period is not less than the rate per annum then specified by such Potential Owner.

An Order containing the information referred to in clause (i)(A) of this subsection (a) is herein referred to as a “*Hold Order*,” an Order containing the information referred to in clause (i)(B) or clause (ii) of this subsection (a) is herein referred to as a “*Bid*,” and an Order containing the information referred to in clause (i)(C) of this subsection (a) is herein referred to as a “*Sell Order*.”

(b) (i) A Bid by an Existing Owner shall constitute an irrevocable offer to sell:

(A) the principal amount of FLOATs specified in such Bid if the rate determined by the Auction Procedures on such Auction Date shall be less than the rate specified therein; or

(B) such principal amount or a lesser principal amount of FLOATs to be determined as set forth in subsection (a)(v) under “Allocation of the FLOATs” in this Appendix B if the rate determined by the Auction Procedures on such Auction Date shall be equal to such specified rate; or

(C) a lesser principal amount of FLOATs to be determined as set forth in subsection (b)(iv) under “Allocation of the FLOATs” in this Appendix B if such specified rate shall be higher than the Maximum Rate and Sufficient Clearing Bids do not exist.

(ii) A Sell Order by an Existing Owner shall constitute an irrevocable offer to sell:

(A) the principal amount of FLOATs specified in such Sell Order; or

(B) such principal amount or a lesser principal amount of FLOATs as set forth in subsection (b)(iv) under “Allocation of the FLOATs” in this Appendix B if Sufficient Clearing Bids do not exist.

(iii) A Bid by a Potential Owner shall constitute an irrevocable offer to purchase:

(A) the principal amount of FLOATs specified in such Bid if the rate determined by the Auction Procedures on such Auction Date shall be higher than the rate specified therein; or

(B) such principal amount or a lesser principal amount of FLOATs as set forth in subsection (a)(vi) under “Allocation of the FLOATs” in this Appendix B if the rate determined by the Auction Procedures on such Auction Date shall be equal to such specified rate.

(C) Anything herein to the contrary notwithstanding:

(i) for purposes of any Auction, any Order which specifies the FLOATs to be held, purchased or sold in a principal amount which is not \$25,000 or an integral multiple thereof shall be rounded down to the nearest \$25,000, and the Auction Agent shall conduct the Auction Procedures as if such Order had been submitted in such lower amount;

(ii) for purposes of any Auction, any portion of an Order of an Existing Owner which relates to a FLOATs which has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction shall be invalid with respect to such portion and the Auction Agent shall conduct the Auction Procedures as if such portion of such Order had not been submitted;

(iii) for purposes of any Auction, no portion of a FLOATs which has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction shall be included in the calculation of Available Bonds for such Auction; and

(iv) the Auction Procedures shall be suspended during the period commencing on the date of the Auction Agent’s receipt of notice from the Trustee or the Authority of the occurrence of a Payment Default but shall resume two Business Days after the date on which the Auction Agent receives notice from the Trustee that such Payment Default has been waived or cured, with the next Auction to occur on the next regularly scheduled Auction Date occurring thereafter.

Submission of Orders by Broker-Dealers to Auction Agent

(a) Each Broker-Dealer shall submit to the Auction Agent in writing or by such other method as shall be reasonably acceptable to the Auction Agent, prior to the Submission Deadline on each Auction Date, all Orders obtained by such Broker-Dealer and specifying with respect to each Order:

(i) the name of the Bidder placing such Order;

Order; (ii) the aggregate principal amount of FLOATs that are the subject of such

(iii) to the extent that such Bidder is an Existing Owner:

(A) the principal amount of FLOATs, if any, subject to any Hold Order placed by such Existing Owner;

(B) the principal amount of FLOATs, if any, subject to any Bid placed by such Existing Owner and the rate specified in such Bid; and

(C) the principal amount of FLOATs, if any, subject to any Sell Order placed by such Existing Owner; and

Bid. (iv) to the extent such Bidder is a Potential Owner, the rate specified in such

(b) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth of one percent (0.001%).

(c) If an Order or Orders covering all of the FLOATs held by an Existing Owner is not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Existing Owner covering the principal amount of FLOATs held by such Existing Owner and not subject to Orders submitted to the Auction Agent; provided, however, that if there is a conversion from one Auction Period to another Auction Period and Orders have not been submitted to the Auction Agent prior to the Submission Deadline covering the aggregate principal amount of FLOATs held by such Existing Owner, the Auction Agent shall deem a Sell Order to have been submitted on behalf of such Existing Owner covering the principal amount of FLOATs held by such Existing Owner not subject to Orders submitted to the Auction Agent.

(d) If one or more Orders covering in the aggregate more than the principal amount of the Outstanding FLOATs held by any Existing Owner are submitted to the Auction Agent, such Orders shall be considered valid as follows:

(i) all Hold Orders shall be considered Hold Orders, but only up to and including in the aggregate the principal amount of FLOATs held by such Existing Owner;

(ii) (A) any Bid of an Existing Owner shall be considered valid as a Bid of an Existing Owner up to and including the excess of the principal amount of FLOATs held by such Existing Owner over the principal amount of FLOATs subject to Hold Orders referred to in paragraph (i) above;

(B) subject to clause (A), all Bids of an Existing Owner with the same rate shall be aggregated and considered a single Bid of an Existing Owner up to and including the excess of the principal amount of FLOATs held by such Existing Owner over the principal amount of FLOATs held by such Existing Owner subject to Hold Orders referred to in paragraph (i) above,

(C) subject to clause (A), if more than one Bid with different rates is submitted on behalf of such Existing Owner, such Bids shall be considered Bids of an

Existing Owner in the ascending order of their respective rates up to the amount of the excess of the principal amount of FLOATs held by such Existing Owner over the principal amount of FLOATs held by such Existing Owner subject to Hold Orders referred to in paragraph (i) above, and

(D) the principal amount, if any, of such FLOATs subject to Bids not considered to be Bids of an Existing Owner under this paragraph (ii) shall be treated as the subject of a Bid by a Potential Owner; and

(iii) all Sell Orders shall be considered Sell Orders, but only up to and including a principal amount of FLOATs equal to the excess of the principal amount of FLOATs held by such Existing Owner over the sum of the principal amount of FLOATs considered to be subject to Hold Orders pursuant to paragraph (i) above and the principal amount of FLOATs considered to be subject to Bids of such Existing Owner pursuant to paragraph (ii) above.

(e) If more than one Bid is submitted on behalf of any Potential Owner, each Bid submitted with the same rate shall be aggregated and considered a single Bid and each Bid submitted with a different rate shall be considered a separate Bid with the rate and the principal amount of the FLOATs specified therein.

(f) Any Bid submitted by an Existing Owner or a Potential Owner specifying a rate lower than the Minimum Auction Rate shall be treated as a Bid specifying the Minimum Auction Rate.

(g) The Company, the Authority, the Trustee, the Market Agent and the Auction Agent shall not be responsible for the failure of any Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Owner or Potential Owner.

Determination of Auction Rate

(a) Not later than 9:30 a.m., New York City time, on each Auction Date, the Auction Agent shall advise the Broker-Dealers and the Paying Agent by telephone of the Minimum Auction Rate, the Maximum Rate and the FLOATs Index.

(b) Promptly after the Submission Deadline on each Auction Date, the Auction Agent shall assemble all Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to as a "*Submitted Hold Order*," a "*Submitted Bid*" or a "*Submitted Sell Order*," as the case may be, and collectively as a "*Submitted Order*") and shall determine (i) the Available Bonds, (ii) whether there are Sufficient Clearing Bids, and (iii) the Auction Rate.

(c) Promptly after the Auction Agent has made the determinations pursuant to subsection (b) above, the Auction Agent shall advise the Paying Agent and the Company by telephone (promptly confirmed in writing), telex or facsimile transmission of the Auction Rates for the next succeeding Auction Period.

(d) In the event the Auction Agent shall fail to calculate, or for any reason fail to timely provide the Auction Rate for any Auction Period, the Auction Rate for such Auction Period shall be the applicable No Auction Rate; *provided, however*, that if the Auction Procedures are suspended pursuant to subsection (b)(iii)(C)(4) under "Orders by Existing Owners and Potential Owners" of this Appendix B, the Auction Rate for the next succeeding Auction Period shall be the Maximum Rate.

(e) In the event of a failed conversion to a Variable Rate Period, a Fixed Rate Period, a Commercial Paper Rate Period or a Term Rate Period or in the event of a failure to change the length of the current Auction Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first new Auction Period, the Auction Rate for the next Auction Period shall be the Maximum Rate and the Auction Period shall be a seven-day Auction Period.

Allocation of the FLOATs

(a) In the event of Sufficient Clearing Bids, subject to the further provisions of subsections (c) and (d) below, Submitted Orders shall be accepted or rejected in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold FLOATs that are the subject of such Submitted Hold Order;

(ii) the Submitted Sell Order of each Existing Owner shall be accepted and the Submitted Bid of each Existing Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected, thus requiring each such Existing Owner to sell FLOATs that are the subject of such Submitted Sell Order or Submitted Bid;

(iii) the Submitted Bid of each Existing Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the FLOATs that are the subject of such Submitted Bid;

(iv) the Submitted Bid of each Potential Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the FLOATs that are the subject of such Submitted Bid;

(v) the Submitted Bid of each Existing Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the FLOATs that are the subject of such Submitted Bid, but only up to and including the principal amount of FLOATs obtained by multiplying (A) the aggregate principal amount of the Outstanding FLOATs which are not the subject of Submitted Hold Orders described in paragraph (i) above or of Submitted Bids described in paragraphs (iii) or (iv) above by (B) a fraction the numerator of which shall be the principal amount of the Outstanding FLOATs held by such Existing Owner subject to such Submitted Bid and the denominator of which shall be the aggregate principal amount of the Outstanding FLOATs subject to such Submitted Bids made by all such Existing Owners that specified a rate equal to the Winning Bid Rate, and the remainder, if any, of such Submitted Bid shall be rejected, thus requiring each such Existing Owner to sell any excess amount of the FLOATs;

(vi) the Submitted Bid of each Potential Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the FLOATs that are the subject of such Submitted Bid, but only in an amount equal to the principal amount of the FLOATs obtained by multiplying (A) the aggregate principal amount of the Outstanding FLOATs which are not the subject of Submitted Hold Orders described in paragraph (i) above or of Submitted Bids described in paragraphs (iii), (iv) or (v) above by (B) a fraction the numerator of which shall be the principal amount of the Outstanding FLOATs subject to such Submitted Bid and the denominator of which shall be the sum of the aggregate principal amount of the Outstanding FLOATs subject to such Submitted Bids made by all such Potential

Owners that specified a rate equal to the Winning Bid Rate, and the remainder of such Submitted Bid shall be rejected; and

(vii) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected.

(b) In the event there are not Sufficient Clearing Bids, subject to the further provisions of subsections (c) and (d) below, Submitted Orders shall be accepted or rejected in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the FLOATs that are the subject of such Submitted Hold Order;

(ii) the Submitted Bid of each Existing Owner specifying any rate that is not higher than the Maximum Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the FLOATs that are the subject of such Submitted Bid;

(iii) the Submitted Bid of each Potential Owner specifying any rate that is not higher than the Maximum Rate shall be accepted, thus requiring each such Potential Owner to purchase the FLOATs that are the subject of such Submitted Bid;

(iv) the Submitted Sell Orders of each Existing Owner shall be accepted as Submitted Sell Orders and the Submitted Bids of each Existing Owner specifying any rate that is higher than the Maximum Rate shall be deemed to be and shall be accepted as Submitted Sell Orders, in both cases only up to and including the principal amount of FLOATs obtained by multiplying (A) the aggregate principal amount of the FLOATs subject to Submitted Bids described in paragraph (iii) of this subsection (b) by (B) a fraction the numerator of which shall be the principal amount of the Outstanding FLOATs held by such Existing Owner subject to such Submitted Sell Order or such Submitted Bid deemed to be a Submitted Sell Order and the denominator of which shall be the principal amount of the Outstanding FLOATs subject to all such Submitted Sell Orders and such Submitted Bids deemed to be Submitted Sell Orders, and the remainder of each such Submitted Sell Order or Submitted Bid shall be deemed to be and shall be accepted as a Hold Order and each such Existing Owner shall be required to continue to hold such excess amount of the FLOATs; and

(v) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Maximum Rate shall be rejected.

(c) If, as a result of the procedures described in subsection (a) or (b) above, any Existing Owner or Potential Owner would be required to purchase or sell an aggregate principal amount of FLOATs which is not an integral multiple of \$25,000 on any Auction Date, the Auction Agent shall by lot round up or down the principal amount of FLOATs to be purchased or sold by any Existing Owner or Potential Owner on such Auction Date so that the aggregate principal amount of FLOATs purchased or sold by each Existing Owner or Potential Owner on such Auction Date shall be an integral multiple of \$25,000, even if such allocation results in one or more of such Existing Owners or Potential Owners not purchasing or selling any FLOATs on such Auction Date.

(d) If, as a result of the procedures described in subsection (a) above, any Potential Owner would be required to purchase less than \$25,000 in principal amount of FLOATs on any Auction Date, the Auction Agent shall by lot allocate the FLOATs for purchase among Potential Owners so that

the principal amount of FLOATs purchased on such Auction Date by any Potential Owner shall be an integral multiple of \$25,000, even if such allocation results in one or more of such Potential Owners not purchasing any FLOATs on such Auction Date.

Notice of Auction Rate

(a) On each Auction Date, the Auction Agent shall notify by telephone each Broker-Dealer that participated in the Auction held on such Auction Date and submitted an Order on behalf of any Existing Owner or Potential Owner of:

- (i) the Auction Rate fixed for the succeeding Auction Period;
- (ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;
- (iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected, in whole or in part, and the principal amount of FLOATs, if any, to be sold by such Existing Owner;
- (iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected, in whole or in part, and the principal amount of FLOATs, if any, to be purchased by such Potential Owner;
- (v) if the aggregate principal amount of FLOATs to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate principal amount of FLOATs to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the principal amount of FLOATs to be (A) purchased from one or more Existing Owners on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Owners on whose behalf such Broker-Dealer submitted Bids; and
- (vi) the immediately succeeding Auction Date.

(b) On each Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner shall:

- (i) advise each Existing Owner and Potential Owner on whose behalf such Broker-Dealer submitted a Bid or Sell Order whether such Bid or Sell Order was accepted or rejected, in whole or in part;
- (ii) instruct each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Owner's Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the principal amount of FLOATs to be purchased pursuant to such Bid against receipt of such FLOATs;
- (iii) instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected, in whole or in part, to instruct such Existing Owner's Agent Member to deliver to such Broker-Dealer (or its Agent Member)

through the Securities Depository the principal amount of FLOATs to be sold pursuant to such Bid or Sell Order against payment therefor;

(iv) advise each Existing Owner on whose behalf such Broker-Dealer submitted an Order and each Potential Owner on whose behalf such Broker-Dealer submitted a Bid for the FLOATs for the next succeeding Auction Period;

(v) advise each Existing Owner on whose behalf such Broker-Dealer submitted an Order of the Auction Date of the next succeeding Auction; and

(vi) advise each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, of the Auction Date of the next succeeding Auction.

(c) On the basis of the information provided to it pursuant to paragraph (a) above, each Broker-Dealer that submitted a Bid or Sell Order shall allocate any funds received by it pursuant to subparagraph (b)(ii) above, and any FLOATs received by it pursuant to (b)(iii) above, among the Potential Owners, if any, on whose behalf such Broker-Dealer submitted Bids, the Existing Owners, if any, on whose behalf such Broker-Dealer submitted Bids or Sell Orders, and any Broker-Dealer identified to it by the Auction Agent pursuant to subparagraph (a)(v) above.

(d) On the Business Day after the Auction Date, the Securities Depository shall execute the transactions described above, debiting and crediting the accounts of the respective Agent Members as necessary to effect the purchase and sale of FLOATs as determined in the Auction.

FLOATs Index

(a) The FLOATs Index on any Auction Date with respect to any Auction Period of 35 days or less shall be the Seven-Day “AA” Composite Commercial Paper Rate on such date. The FLOATs Index with respect to an Auction Period of more than 35 days shall be the rate on United States Treasury Securities having a maturity which most closely approximates the length of the Auction Period, as last published in *The Bond Buyer*. If either rate is unavailable, the FLOATs Index shall be a rate agreed to by all Broker-Dealers, the Company and the Insurer.

“Seven-Day ‘AA’ Composite Commercial Paper Rate” on any date of determination means the interest equivalent of the seven-day rate on commercial paper placed on behalf of non-financial issuers whose corporate bonds are rated AA by S&P, or the equivalent of such rating by S&P, as made available on a discount basis or otherwise by the Federal Reserve Bank of New York for the Business Day immediately preceding such date of determination, or if the Federal Reserve Bank of New York does not make available any such rate, then the arithmetic average of such rates, as quoted on a discount basis or otherwise, by Goldman, Sachs & Co., Lehman Commercial Paper Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated or, in lieu of any thereof, their respective affiliates or successors which are commercial paper dealers (the “*Commercial Paper Dealers*”), to the Auction Agent for the close of business on the Business Day immediately preceding such date of determination.

For purposes of the definition of “Seven-Day ‘AA’ Composite Commercial Paper Rate”, the “*interest equivalent*” means the equivalent yield on a 360-day basis of a discount-basis security to an interest-bearing security. If any Commercial Paper Dealer does not quote a commercial paper rate required to determine the Seven-Day “AA” Composite Commercial Paper Rate, the Seven-Day “AA” Composite Commercial Paper Rate shall be determined on the basis of the quotation or quotations furnished by the remaining Commercial Paper Dealer or Commercial Paper Dealers and any substitute

commercial paper dealer not included within the definition of Commercial Paper Dealer above, which may be CS First Boston Corporation or Morgan Stanley & Co. Incorporated or their respective affiliates or successors which are commercial paper dealers (a “*Substitute Commercial Paper Dealer*”) selected by the Paying Agent (who shall be under no liability for such selection) to provide such commercial paper rate or rates not being supplied by any Commercial Paper Dealer or Commercial Paper Dealers, as the case may be, or if the Paying Agent does not select any such Substitute Commercial Paper Dealer or Substitute Commercial Paper Dealers, by the remaining Commercial Paper Dealer or Commercial Paper Dealers.

(b) If on any Auction Date, the FLOATs Index shall not be determined as hereinabove provided for any reason, the FLOATs Index shall be the FLOATs Index for the Auction Period ending on such Auction Date.

(c) The determination of the FLOATs Index as provided herein shall be conclusive and binding upon the Authority, the Company, the Trustee, the Paying Agent, the Broker-Dealers, the Auction Agent, the Market Agent and the Registered Owners and Beneficial Owners of the FLOATs.

Miscellaneous Provisions Regarding Auctions

(a) In this Appendix B, each reference to the purchase, sale or holding of FLOATs shall refer to beneficial interests in the FLOATs, unless the context clearly requires otherwise.

(b) During an Auction Period, the provisions of the Indenture described in this Appendix B and the definitions contained herein may be amended as permitted by the Indenture by obtaining the consent of the Insurer and the Registered Owners of all Outstanding FLOATs affected by such amendment. If on the first Auction Date occurring at least 20 days after the date on which the Trustee mailed notice of such proposed amendment to the Registered Owners of the Outstanding FLOATs affected by such amendment as required by the Indenture, (i) Sufficient Clearing Bids have been received or all of the FLOATs are subject to Submitted Hold Orders, and (ii) there is delivered to the Authority and the Trustee a Favorable Opinion of Bond Counsel with respect to such amendment, the proposed amendment shall be deemed to have been consented to by the Registered Owners of all Outstanding FLOATs affected by such amendment.

(c) During an Auction Period, so long as the ownership of the FLOATs is maintained in book-entry form by the Securities Depository, an Existing Owner or a Beneficial Owner may sell, transfer or otherwise dispose of a FLOATs only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or to or through a Broker-Dealer, *provided* that (i) in the case of all transfers other than pursuant to Auctions, such Existing Owner or its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer and (ii) a sale, transfer or other disposition of FLOATs from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the Beneficial Owner of such FLOATs to that Broker-Dealer or another customer of that Broker-Dealer shall not be deemed to be a sale, transfer or other disposition if such Broker-Dealer remains the Existing Owner of the FLOATs so sold, transferred or disposed of immediately after such sale, transfer or disposition.

Changes in Auction Period or Auction Date

(a) *Changes in Auction Period.*

(i) During any Auction Period, the Company may, from time to time on any Interest Payment Date, change the length of the Auction Period to a period of any integral

multiple of seven days (provided that the length of the first Auction Period after such change in length or a change in Auction Date may be the number of days necessary to result in the immediately following Auction Period having a length which is an integral multiple of seven days) in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by the FLOATs. The Company shall initiate the change in the length of the Auction Period by giving written notice at least five Business Days prior to the Auction Date for such Auction Period to the Authority, the Trustee, the Paying Agent, the Auction Agent, the Market Agent, the Broker-Dealers, the Insurer and the Securities Depository that the Auction Period will change if the conditions described herein are satisfied and the proposed effective date of the change.

(ii) Any such changed Auction Period shall be for a period of any integral multiple of seven days and shall be for all of the FLOATs in an Auction Period.

(iii) The change in the length of the Auction Period shall not be allowed unless Sufficient Clearing Bids existed at both the Auction before the date on which the notice of the proposed change was given as provided in this subsection (a) and the Auction immediately preceding the proposed change.

(iv) The change in length of the Auction Period shall take effect only if Sufficient Clearing Bids exist at the Auction on the Auction Date for such first Auction Period. For purposes of the Auction for such first Auction Period only, each Existing Owner shall be deemed to have submitted Sell Orders with respect to all of its FLOATs except to the extent such Existing Owner submits an Order with respect to such FLOATs. If the condition referred to in the first sentence of this paragraph (iv) is not met, the Auction Rate for the next Auction Period shall be the Maximum Rate, and the Auction Period shall be a 35-day Auction Period.

(v) On the conversion date for the FLOATs selected for conversion from one Auction Period to another, any FLOATs which are not the subject of a specific Hold Order or Bid will be deemed to be subject to a Sell Order.

(b) *Changes in Auction Date.* During any Auction Period, the Market Agent, with the written consent of the Company and the Insurer, may specify an earlier Auction Date (but in no event more than five Business Days earlier) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar Bonds or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne on the FLOATs. The Company shall not consent to such change in the Auction Date unless it shall have received from the Market Agent not less than three days nor more than 20 days prior to the effective date of such change a written request for consent together with a certificate demonstrating the need for change in reliance on such factors. The Market Agent shall provide notice of its determination to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least six Business Days prior to the proposed changed Auction Date to the Trustee, the Paying Agent, the Company, the Authority, the Broker-Dealers, the Auction Agent, the Insurer and the Securities Depository.

Auction Agent

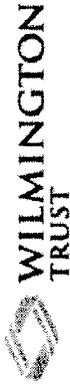
(a) The initial Auction Agent shall be Wilmington Trust Company, or any successor appointed by the Company with the consent of the Insurer to perform the functions specified herein. The Auction Agent shall designate its Principal Office and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument, delivered to the Authority, the Trustee, the Company,

the Market Agent, the Insurer and each Broker-Dealer which will set forth such procedural and other matters relating to the implementation of the Auction Procedures as shall be satisfactory to the Company and the Trustee.

(b) Subject to any applicable governmental restrictions, the Auction Agent may be or become the owner of or trade in the FLOATs with the same rights as if such entity were not the Auction Agent.

Qualifications of Auction Agent; Resignation; Removal

The Auction Agent shall be (a) a bank or trust company organized under the laws of the United States or any state or territory thereof having a combined capital stock, surplus and undivided profits of at least \$30,000,000, or (b) a member of NASD having a capitalization of at least \$30,000,000 and, in either case, authorized by law to perform all of the duties imposed upon it by the Indenture and a member of or a participant in, the Securities Depository. The Auction Agent may at any time resign and be discharged of the duties and obligations created by the Indenture by giving at least 30 days notice to the Authority, the Company, the Trustee, the Market Agent and the Insurer. The Auction Agent may be removed at any time by the Company by written notice, delivered to the Auction Agent, the Market Agent, the Trustee and the Insurer. Upon any such resignation or removal, the Company shall appoint a successor Auction Agent meeting the requirements of this paragraph. In the event of the resignation or removal of the Auction Agent, the Auction Agent shall pay over, assign and deliver any moneys and FLOATs held by it in such capacity to its successor. The Auction Agent shall continue to perform its duties hereunder until its successor has been appointed by the Company. In the event that the Auction Agent has not been compensated for its services, the Auction Agent may resign by giving 30 days notice to the Authority, the Company, the Market Agent, the Trustee and the Insurer even if a successor Auction Agent has not been appointed.



Auction Details for 8-27-2007 Commonwealth Edison 2002

Transaction Details	451888DY4
CUSIP:	8-27-2007
Auction:	8-28-2007
Settlement:	\$ 100,000,000.00
Outstanding:	5.000 %
Index rate:	2.750 %
Minimum Rate:	12.000 %
Maximum Rate:	2.750 %
All Hold Rate:	13:02:18
Auction Run Time:	

Winning Rate	8/2807 - 9/3/07
Auction Rate:	3.550 %
Next Payment:	9-04-2007
Income / Unit:	\$ 17.25694
Interest:	\$ 69,027.78
Avg. Bid:	3.950 %
Avg. Potential:	3.836 %
Avg. All:	3.870 %
Next Auction:	8-31-2007

Bidder	Order	Quantity	Rate	Award	Submitted
JPMO-AA	Sell	13	--	--	12:44 pm
MERR-AA	Sell	1	--	--	12:54 pm
MERR-AA	Sell	2	--	--	12:54 pm
MERR-AA	Sell	68	--	--	12:54 pm
JPMO-AA	Hold	2,535	--	2,535	12:44 pm
MERR-AA	Hold	1,377	--	1,377	12:54 pm
JPMO-AA	Potential	112	3.550 %	88	12:44 pm
JPMO-AA	Potential	7	3.650 %	Rejected	12:44 pm
MERR-AA	Potential	6	3.800 %	Rejected	12:54 pm
MERR-AA	Bid	1	3.950 %	Rejected	12:54 pm
MERR-AA	Bid	1	3.950 %	Rejected	12:54 pm
MERR-AA	Bid	2	3.950 %	Rejected	12:54 pm
MERR-AA	Potential	2	3.950 %	Rejected	12:54 pm
MERR-AA	Potential	3	3.950 %	Rejected	12:54 pm
MERR-AA	Potential	3	3.950 %	Rejected	12:54 pm
MERR-AA	Potential	4,000	4.000 %	Rejected	12:54 pm

All Amounts are in Units of \$25,000.

Fee Information	
Broker Dealers:	63.70 % J.P. Morgan Securities, Inc. 36.30 % Merrill Lynch 0.00 % Loop Capital Markets
Broker Dealer Commission:	\$ 4,861.11
Auction Agent Fee:	n/a
Total Due:	\$ 4,861.11
Days in Period:	7
Commission Due Date:	8-28-2007
Commission Calculated:	8-21-2007 to 8-27-2007

Contact Information
Wilmington Trust Company
Rodney Square North
1100 North Market Street
Wilmington, DE 19890-1615
Fax:
(302) 636-4140
(302) 636-4141
(302) 636-4145

Contacts:
Tom Morris: (302) 636-6432
Michael Wass: (302) 636-6398
Chris Slaybaugh: (302) 636-6395

Wire Instructions
Wilmington Trust Company
ABA 031100092
A/C No. 057955-000
A/C Name: Commonwealth Edison 2002
Attn: Tom Morris

For historical CUSIP and auction data, access our auction website [WTAuctions](http://WTAuctions.com).
Please contact us for user id and password information.

NEW ISSUE—BOOK-ENTRY ONLY

Subject to compliance by the Authority and the Company with certain covenants, in the opinion of Foley & Lardner, Chicago, Illinois, Bond Counsel, under present law, interest on the Bonds is not includible in gross income of their owners for federal income tax purposes, except for interest on any Bond for any period during which such Bond is owned by a person who is a substantial user of the Project or any person considered to be related to such person (within the meaning of Section 103(b)(13) of the Internal Revenue Code of 1954, as amended) and interest on the Bonds is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations. Interest on the Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. See "TAX EXEMPTION" for a more complete discussion. Interest on the Bonds is not exempt from Illinois income taxes.

\$40,000,000

**ILLINOIS DEVELOPMENT FINANCE AUTHORITY
POLLUTION CONTROL REVENUE REFUNDING BONDS
(Commonwealth Edison Company Project)
Series 2003**

Dated: Date of Original Issuance**Due: May 15, 2017**

The Bonds will be issued to provide a portion of the funds to refund certain obligations issued to refinance the cost of certain pollution control facilities of Commonwealth Edison Company. The Bonds will be special, limited obligations of the Authority, and will be payable, except to the extent payable from Bond proceeds and certain other moneys pledged therefor, solely from and secured by a pledge of payments to be made under a Loan Agreement with, and secured by a First Mortgage Bond to be issued by, Commonwealth Edison Company.



An Exelon Company

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued simultaneously with the delivery of the Bonds by



The Bonds will be issued in fully-registered form initially in denominations of \$25,000, or any multiple thereof, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. See "THE BONDS—Book-Entry System" herein.

The Bonds will bear interest from their date of delivery at the rate established for the Initial Auction Period which ends on June 11, 2003, and thereafter at the Auction Rate established for each subsequent Auction Period. Interest on the Bonds will be adjusted based upon 35-day Auction Periods (or, at the option of the Company, other multiples of 7 days), subject to adjustment in the event that an Auction Date or Interest Payment Date is not a Business Day. The first Auction Date for the Bonds shall be June 11, 2003. The Interest Payment Date with respect to an Auction Period is the Business Day immediately following the last day of each Auction Period.

The interest rate of the Bonds may be converted from a rate determined in relation to an Auction Period to a rate determined in relation to a different Rate Period, following mandatory tender for purchase (with no right to retain Bonds) on the related Conversion Date, as described herein. The Bonds, while bearing interest at an Auction Rate, are subject to redemption and to mandatory tender for purchase prior to maturity in the manner and at the times described herein. See "THE BONDS—Mandatory Tender for Purchase" and "THE BONDS—Optional Redemption" and "—Mandatory Redemption" herein.

Prospective purchasers of the Bonds should carefully review the Auction Procedures described in Appendix B hereto, and should note that such procedures provide that (i) a Bid or Sell Order (as herein defined) constitutes a commitment to purchase or sell Bonds based upon the results of an Auction (as herein defined), (ii) Auctions will be conducted through telephone communications and (iii) settlement for purchases and sales will be made on the Business Day following an Auction. Beneficial interests in Bonds may be transferred only pursuant to a Bid or Sell Order placed in an Auction or to or through a Broker-Dealer (as herein defined). This Official Statement does not provide any information regarding the Bonds after the date, if any, on which the Bonds are converted to bear interest at interest rates other than the Auction Rate.

Principal of and premium, if any, and interest on the Bonds will be paid to Cede & Co. by wire transfer, subject to certain exceptions described herein.

PRICE 100%

The Bonds are special, limited obligations of the Authority, with a claim for payment solely from Revenues as defined in the Indenture under which the Bonds are issued (including payments under the Loan Agreement with the Company and under the Company's First Mortgage Bond). The Bonds do not have a claim for payment from any other funds of the Authority. The Bonds are not an obligation of the State of Illinois, and have no claim for payment from any State of Illinois appropriation or from any taxes.

The Bonds are offered, subject to prior sale, when, as and if issued and accepted by the Underwriter subject to the approval of legality by Foley & Lardner, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Company by Sidley Austin Brown & Wood, counsel to the Company, for the Authority by Kevin M. Cahill, Esq., counsel to the Authority, and for the Underwriter by Winston & Strawn, counsel to the Underwriter. It is expected that delivery of the Bonds will be made on or about May 8, 2003 through the facilities of DTC.

JPMorgan

This Official Statement is dated April 29, 2003 and the information contained herein speaks only as of that date.

Appendix B

M-STARS PROVISIONS

This Appendix B does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the Indenture, copies of which may be obtained from the Trustee.

Definitions

In addition to the words and terms elsewhere defined in this Official Statement, the following words and terms as used in this Appendix B and elsewhere in this Official Statement have the following meanings with respect to Bonds in a M-STARS Rate Period unless the context or use indicates another or different meaning or intent:

“*Agent Member*” means a member of, or participant in, the Securities Depository who will act on behalf of a Bidder.

“*All Hold Rate*” means, as of any Auction Date, 55% of the Index in effect on that Auction Date.

“*Auction*” means each periodic implementation of the Auction Procedures.

“*Auction Agent*” means the auctioneer appointed in accordance with the provisions of the Indenture and will initially be The Bank of New York.

“*Auction Agreement*” means an agreement between the Auction Agent and the Trustee pursuant to which the Auction Agent agrees to follow the procedures specified in the Indenture with respect to the Bonds while bearing interest at an M-STARS Mode Rate, as such agreement may from time to time be amended or supplemented.

“*Auction Date*” means with respect to the Bonds, during any period in which the Auction Procedures are not suspended in accordance with the provisions of the Bonds,

- (i) if the Bonds are in a daily Auction Period, each Business Day,
- (ii) if the Bonds are in a Flexible Auction Period, the last Business Day of the Flexible Auction Period, and
- (iii) if the Bonds are in any other Auction Period, the Business Day next preceding each Interest Payment Date for the Bonds (whether or not an Auction is conducted on such date);

provided, however, that the last Auction Date with respect to the Bonds in an Auction Period other than a daily Auction Period or Flexible Auction Period will be the earlier of (a) the Business Day next preceding the Interest Payment Date next preceding the conversion date for such Bonds and (b) the Business Day next preceding the Interest Payment Date next preceding the final maturity date for such Bonds; and provided, further, that if the Bonds are in a daily Auction Period, the last Auction Date will be the earlier of (x) the Business Day next preceding the conversion date for such Bonds and (y) the Business Day next preceding the final maturity date for such Bonds. The last Business Day of a Flexible Auction Period shall be the Auction Date for the Auction Period which begins on the next succeeding Business Day, if any. On the Business Day preceding the conversion from a daily Auction Period to another Auction

Period, there will be two Auctions, one for the last daily Auction Period and one for the first Auction Period following the conversion.

“*Auction Period*” means

- (i) a Flexible Auction Period,
- (ii) with respect to the Bonds in a daily Auction Period, a period beginning on each Business Day and extending to but not including the next succeeding Business Day,
- (iii) with respect to the Bonds in a seven-day Auction Period, a period of generally seven days beginning on a Thursday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Wednesday) and ending on the next Wednesday (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day),
- (iv) with respect to the Bonds in the 28-day Auction Period, a period of generally 28 days beginning on a Thursday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Wednesday) and ending on the fourth Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day),
- (v) with respect to the Bonds in the 35-day Auction Period, a period of generally 35 days beginning on a Thursday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Wednesday and ending on the fifth Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day),
- (vi) with respect to the Bonds in a three-month Auction Period, a period of generally three months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the first day of the month that is the third calendar month following the beginning date of such Auction Period and
- (vii) with respect to the Bonds in a semiannual Auction Period, a period of generally six months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the next succeeding May 15 or November 15;

provided, however, that if there is a conversion from a daily Auction Period to a seven-day Auction Period, the next Auction Period will begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and will end on the next succeeding Wednesday (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), if there is a conversion from a daily Auction Period to a 28-day Auction Period, the next Auction Period will begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and will end on the Wednesday (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than 21 days but not more than 28 days from such date of conversion, and, if there is a conversion from a daily Auction Period to a 35-day Auction Period, the next Auction Period will begin on the date of the conversion (i.e., the Interest Payment Date for the prior Auction Period) and will end on the Wednesday (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day

which is followed by a Business Day) which is more than 28 days but not more than 35 days from such date of conversion.

“*Auction Procedures*” means the procedures for conducting Auctions for Bonds during a M-STARS Rate Period set forth in the Indenture and summarized in this Appendix B.

“*Auction Rate*” means the interest rate to be determined for Bonds in an Auction Period. It is also referred to as the M-STARS Mode Rate.

“*Available Bonds*” means on each Auction Date, the aggregate principal amount of Bonds that are not the subject of Submitted Hold Orders.

“*Bid*” has the meaning specified in subsection (a) of “Orders by Existing Owners and Potential Owners” of this Appendix B.

“*Bidder*” means each Existing Owner and Potential Owner who places an Order.

“*Broker-Dealer*” means any entity that is permitted by law to perform the function required of a Broker-Dealer described in the Indenture, that is a member of, or a direct participant in, the Securities Depository, that has been selected by the Company with the consent of J. P. Morgan Securities Inc., so long as J. P. Morgan Securities Inc. is a Broker-Dealer, and that is a party to a Broker-Dealer Agreement with the Company and the Auction Agent.

“*Broker-Dealer Agreement*” means an agreement among the Auction Agent, the Company and a Broker-Dealer pursuant to which such Broker-Dealer agrees to follow the procedures described in the Indenture, as such agreement may from time to time be amended or supplemented.

“*Conversion Date*” means the date on which the Bonds begin to bear interest at a rate other than an Auction Rate or, as applicable, any date on which there is a conversion from one category of Auction Period to another.

“*Default Rate*” means, in respect of any Auction Period other than a daily Auction Period, a per annum rate equal to three hundred percent (300%) of the Index determined on the Auction Date next preceding the first day of such Auction Period or in the case of Bonds in a daily Auction Period, three hundred percent (300%) of the Index determined on the Auction Date which was the first day of such Auction Period, provided, however, the Default Rate will not exceed the Maximum M-STARS Rate.

“*Existing Owner*” means a Person who is listed as the beneficial owner of Bonds in the records of the Auction Agent.

“*Fixed Rate*” means the rate at which the Bonds shall bear interest from and including the Fixed Rate Conversion Date to their maturity date.

“*Fixed Rate Conversion Date*” means the date on which the Bonds are converted to bear interest at a Fixed Rate pursuant to the Indenture.

“*Fixed Rate Period*” means the period during which the Bonds bear interest at the Fixed Rate.

“*Flexible Auction Period*” means any period of not less than seven nor more than 364 days (which is not another Auction Period) which begins on an Interest Payment Date and ends on a

Wednesday unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day.

“*Hold Order*” has the meaning specified in subsection (a) of “Orders by Existing Owners and Potential Owners” of this Appendix B.

“*Index*” will have the meaning specified in “Index” of this Appendix B.

“*Initial Period*” means the period from the Closing Date through and including June 11, 2003.

“*Interest Payment Date*” means June 12, 2003 and subsequently: (a) when used with respect to any Auction Period other than a daily Auction Period or a Flexible Auction Period, the Business Day immediately following such Auction Period; (b) when used with respect to a daily Auction Period, the first Business Day of the month immediately succeeding such Auction Period; (c) when used with respect to a Flexible Auction Period of (i) seven or more but fewer than 92 days, the Business Day immediately following such Flexible Auction Period, or (ii) 92 or more days, each thirteenth Thursday after the first day of such Flexible Auction Period or the next Business Day if such Thursday is not a Business Day and on the Business Day immediately following such Flexible Auction Period; (d) any Conversion Date; and (e) the maturity or any redemption date.

“*LIBOR*,” on any date of determination for any Auction Period, means (i) for any Auction Period of fewer than 40 days, the offered rate for deposits in U.S. dollars for a one-month period which appears on the Telerate Page 3750 at approximately 11:00 A.M., London time, on such date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the next preceding day on which such dealings were transacted in such market and (ii) for any Auction Period of 40 or more but fewer than 95 days, such rate for deposits in U.S. dollars for a three-month period.

“*M-STARs*” means the Bonds while they bear interest at the M-STARs Rate.

“*M-STARs Mode Multiple*” means, as of any Auction Date, the Percentage of Index (in effect on such Auction Date) determined as set forth below, based on the Prevailing Rating of the Bonds in effect at the close of business on the Business Day immediately preceding such Auction Date:

<u>Prevailing Rating</u>	<u>Percentage of Index</u>
AAA/Aaa	125%
AA/Aa	150
A/A	200
BBB/Baa	250
Below BBB/Baa	275

“*M-STARs Rate*” means for each Auction Period, (i) if Sufficient Clearing Bids exist, the Winning Bid Rate, provided, however, if all of the Bonds are the subject of Submitted Hold Orders, the All Hold Rate and (ii) if Sufficient Clearing Bids do not exist, the Maximum M-STARs Rate.

“*M-STARs Mode Rate*” means the rate of interest to be borne by the Bonds during each Auction Period determined in accordance with the Indenture as summarized under “Determination of M-STARs Rate” of this Appendix B; provided, however, in no event may the M-STARs Rate exceed the Maximum Rate.

“*M-STARS Rate Period*” means, after the Initial Period, any period of time commencing on the day following the Initial Period and ending on a Conversion Date.

“*Mandatory Tender Date*” means any date on which the Bonds are subject to mandatory tender pursuant to Article IV of the Indenture.

“*Maximum M-STARS Rate*” means, as of any Auction Date, the product of the Index multiplied by the M-STARS Mode Multiple, provided, however, the Maximum M-STARS Rate will not exceed the Maximum Rate.

“*Maximum Rate*” means the lesser of twelve percent (12%) or the maximum rate permitted by applicable law.

“*Order*” means a Hold Order, Bid or Sell Order.

“*Potential Owner*” means any Person, including any Existing Owner, who may be interested in acquiring a beneficial interest in the Bonds in addition to the Bonds currently owned by such Person, if any.

“*Prevailing Rating*” means

(a) AAA/Aaa, if the Bonds will have a rating of AAA or better by S&P and a rating of Aaa or better by Moody’s,

(b) if not AAA/Aaa, AA/Aa if the Bonds will have a rating of AA- or better by S&P and a rating of Aa3 or better by Moody’s,

(c) if not AAA/Aaa or AA/Aa, A/A if the Bonds shall have a rating of A- or better by S&P and a rating of A3 or better by Moody’s,

(d) if not AAA/Aaa, AA/Aa or A/A, BBB/Baa if the Bonds shall have a rating of BBB- or better by S&P and a rating of Baa3 or better by Moody’s, and

(e) if not AAA/Aaa, AA/Aa, A/A or BBB/Baa, then below BBB/Baa whether or not the Bonds are rated by any securities rating agency.

For purposes of this definition, S&P’s rating categories of “AAA,” “AA,” and “A-” and Moody’s rating categories of “Aaa,” “Aa3” and “A3” shall be deemed to refer to and include the respective rating categories correlative thereto in the event that any such Rating Agency shall have changed or modified its generic rating categories or if any successor to it shall use different rating categories. If the Bonds are not rated by a Rating Agency, the requirement of a rating by such Rating Agency shall be disregarded. If the ratings for the Bonds are split between two or more of the foregoing categories, the lower rating shall determine the Prevailing Rating. If there is no rating, then the M-STARS Mode Rate shall be the Maximum M-STARS Rate.

“*Principal Office*” means, with respect to the Auction Agent, the office thereof designated in writing to the Company, the Paying Agent and each Broker-Dealer.

“*Securities Depository*” means The Depository Trust Company and its successors and assigns or any other securities depository selected by the Company which agrees to follow the procedures required to be followed by such securities depository in connection with the Bonds.

“*Sell Order*” has the meaning specified in “Orders by Existing Owners and Potential Owners” of this Appendix B.

“*Submission Deadline*” means 1:00 p.m., New York City time, on each Auction Date not in a daily Auction Period and 11:00 a.m., New York City time, on each Auction Date in a daily Auction Period, or such other time on such date as will be specified from time to time by the Auction Agent pursuant to the Auction Agreement as the time by which Broker-Dealers are required to submit Orders to the Auction Agent.

“*Submitted Bid*” has the meaning specified in “Determination of M-STARS Rate” of this Appendix B.

“*Submitted Hold Order*” has the meaning specified in “Determination of M-STARS Rate” of this Appendix B.

“*Submitted Order*” has the meaning specified in “Determination of M-STARS Rate” of this Appendix B.

“*Submitted Sell Order*” has the meaning specified in “Determination of M-STARS Rate” of this Appendix B.

“*Sufficient Clearing Bids*” means with respect to Bonds, an Auction for which the aggregate principal amount of Bonds that are the subject of Submitted Bids by Potential Owners specifying one or more rates not higher than the Maximum M-STARS Rate is not less than the aggregate principal amount of Bonds that are the subject of Submitted Sell Orders and of Submitted Bids by Existing Owners specifying rates higher than the Maximum M-STARS Rate.

“*Variable Rate*” means, as the context requires, the Daily, Weekly, Alternate Weekly or Term Rate (as such terms are defined in the Indenture) applicable to the Bonds.

“*Winning Bid Rate*” means with respect to Bonds, the lowest rate specified in any Submitted Bid which if selected by the Auction Agent as the M-STARS Mode Rate would cause the aggregate principal amount of Bonds that are the subject of Submitted Bids specifying a rate not greater than such rate to be not less than the aggregate principal amount of Available Bonds.

Auction Procedures

Orders by Existing Owners and Potential Owners

(a) Prior to the Submission Deadline on each Auction Date:

(i) each Existing Owner may submit to a Broker-Dealer, in writing or by such other method as will be reasonably acceptable to such Broker-Dealer, information as to:

(A) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably commits to continue to hold for the next succeeding Auction Period without regard to the rate determined by the Auction Procedures for such Auction Period,

(B) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably commits to continue to hold for the next

succeeding Auction Period if the rate determined by the Auction Procedures for such Auction Period will not be less than the rate per annum then specified by such Existing Owner (and which such Existing Owner irrevocably offers to sell on the next succeeding Interest Payment Date (or the same day in the case of a daily Auction Period) if the rate determined by the Auction Procedures for the next succeeding Auction Period will be less than the rate per annum then specified by such Existing Owner), and/or

(C) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably offers to sell on the next succeeding Interest Payment Date (or on the same day in the case of a daily Auction Period) without regard to the rate determined by the Auction Procedures for the next succeeding Auction Period; and

(ii) for the purpose of implementing the Auctions and thereby to achieve the lowest possible interest rate on the Bonds, the Broker-Dealers will contact Potential Owners, including Persons that are Existing Owners, to determine the principal amount of Bonds, if any, which each such Potential Owner irrevocably offers to purchase if the rate determined by the Auction Procedures for the next succeeding Auction Period is not less than the rate per annum then specified by such Potential Owner.

For the purposes hereof, an Order containing the information referred to in clause (i)(A) above is herein referred to as a "*Hold Order*," an Order containing the information referred to in clause (i)(B) or (ii) above is herein referred to as a "*Bid*," and an Order containing the information referred to in clause (i)(C) above is herein referred to as a "*Sell Order*."

(b) (i) A Bid by an Existing Owner will constitute an irrevocable offer to sell:

(A) the principal amount of Bonds specified in such Bid if the rate determined by the Auction Procedures on such Auction Date will be less than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Bonds to be determined as described in subsection (a)(v) of the section below entitled "Allocation of Bonds" if the rate determined by the Auction Procedures on such Auction Date will be equal to such specified rate; or

(C) a lesser principal amount of Bonds to be determined as described in subsection (b)(iv) of the section below entitled "Allocation of Bonds" if such specified rate will be higher than the Maximum M-STARS Rate and Sufficient Clearing Bids do not exist.

(ii) A Sell Order by an Existing Owner will constitute an irrevocable offer to sell:

(A) the principal amount of Bonds specified in such Sell Order; or

(B) such principal amount or a lesser principal amount of Bonds as described in subsection (b)(iv) of the section below entitled "Allocation of Bonds" if Sufficient Clearing Bids do not exist.

(iii) A Bid by a Potential Owner will constitute an irrevocable offer to purchase:

(A) the principal amount of Bonds specified in such Bid if the rate determined by the Auction Procedures on such Auction Date will be higher than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Bonds as described in subsection (a)(vi) of the section below entitled "Allocation of the Bonds" if the rate determined by the Auction Procedures on such Auction Date will be equal to such specified rate.

(c) Anything herein to the contrary notwithstanding:

(i) for purposes of any Auction, any Order which specifies Bonds to be held, purchased or sold in a principal amount which is not an integral multiple of \$25,000 will be rounded down to the nearest \$25,000, and the Auction Agent will conduct the Auction Procedures as if such Order had been submitted in such lower amount;

(ii) for purposes of any Auction other than during a daily Auction Period, any portion of an Order of an Existing Owner which relates to a Bond which has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction will be invalid with respect to such portion and the Auction Agent will conduct the Auction Procedures as if such portion of such Order had not been submitted;

(iii) for purposes of any Auction other than during a daily Auction Period, no portion of a Bond which has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction will be included in the calculation of Available Bonds for such Auction; and

(iv) the Auction Procedures will be suspended during the period commencing on the date of the Auction Agent's receipt of notice from the Paying Agent or the Company of the occurrence of an Event of Default resulting from a failure to pay principal, premium or interest on any Bond when due (provided, however, that for purposes of this provision only payment by the Insurer will be deemed to cure such Event of Default and no suspension of the Auction Procedures will occur) but will resume two Business Days after the date on which the Auction Agent receives notice from the Paying Agent that such Event of Default has been waived or cured, with the next Auction to occur on the next regularly scheduled Auction Date occurring thereafter.

Submission of Orders by Broker-Dealers to Auction Agent

(a) Each Broker-Dealer will submit to the Auction Agent in writing or by such other method as will be reasonably acceptable to the Auction Agent, including such electronic communication acceptable to the parties, prior to the Submission Deadline on each Auction Date, all Orders obtained by such Broker-Dealer and specifying, if requested, with respect to each Order:

(i) the name of the Bidder placing such Order;

(ii) the aggregate principal amount of Bonds, if any, that are the subject of such Order;

(iii) to the extent that such Bidder is an Existing Owner:

(A) the principal amount of Bonds, if any, subject to any Hold Order placed by such Existing Owner;

(B) the principal amount of Bonds, if any, subject to any Bid placed by such Existing Owner and the rate specified in such Bid; and

(C) the principal amount of Bonds, if any, subject to any Sell Order placed by such Existing Owner;

(iv) to the extent such Bidder is a Potential Owner, the rate specified in such Bid.

(b) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent will round such rate up to the next highest one thousandth of one percent (0.001%).

(c) If an Order or Orders covering all of the Bonds held by an Existing Owner is not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent will deem a Hold Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds held by such Existing Owner and not subject to Orders submitted to the Auction Agent; *provided, however,* that if there is a conversion from one Auction Period to another Auction Period and Orders have not been submitted to the Auction Agent prior to the Submission Deadline covering the aggregate principal amount of Bonds to be converted held by such Existing Owner, the Auction Agent will deem a Sell Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds to be converted held by such Existing Owner not subject to Orders submitted to the Auction Agent.

(d) If one or more Orders covering in the aggregate more than the principal amount of Outstanding Bonds held by any Existing Owner are submitted to the Auction Agent, such Orders will be considered valid as follows:

(i) all Hold Orders will be considered Hold Orders, but only up to and including in the aggregate the principal amount of Bonds held by such Existing Owner;

(ii) (A) any Bid of an Existing Owner will be considered valid as a Bid of an Existing Owner up to and including the excess of the principal amount of Bonds held by such Existing Owner over the principal amount of the Bonds subject to Hold Orders referred to in paragraph (i) above;

(B) subject to clause (A) above, all Bids of an Existing Owner with the same rate will be aggregated and considered a single Bid of an Existing Owner up to and including the excess of the principal amount of Bonds held by such Existing Owner over the principal amount of Bonds held by such Existing Owner subject to Hold Orders referred to in paragraph (i) above;

(C) subject to clause (A) above, if more than one Bid with different rates is submitted on behalf of such Existing Owner, such Bids will be considered Bids of an Existing Owner in the ascending order of their respective rates up to the amount of the excess of the principal amount of Bonds held by such Existing Owner over the principal amount of Bonds held by such Existing Owner subject to Hold Orders referred to in paragraph (i) above; and

(D) the principal amount, if any, of such Bonds subject to Bids not considered to be Bids of an Existing Owner under this paragraph (ii) will be treated as the subject of a Bid by a Potential Owner;

(iii) all Sell Orders will be considered Sell Orders, but only up to and including a principal amount of Bonds equal to the excess of the principal amount of Bonds held by such Existing Owner over the sum of the principal amount of the Bonds considered to be subject to Hold Orders pursuant to paragraph (i) above and the principal amount of Bonds considered to be subject to Bids of such Existing Owner pursuant to paragraph (ii) above.

(e) If more than one Bid is submitted on behalf of any Potential Owner, each Bid submitted with the same rate will be aggregated and considered a single Bid and each Bid submitted with a different rate will be considered a separate Bid with the rate and the principal amount of Bonds specified therein.

(f) Neither the Company, the Paying Agent nor the Auction Agent will be responsible for the failure of any Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Owner or Potential Owner.

Determination of M-STARS Rate

(a) Not later than 9:30 a.m., New York City time, on each Auction Date, the Auction Agent will advise the Broker-Dealers and the Paying Agent by telephone or other electronic communication acceptable to the parties of the All Hold Rate, the Maximum M-STARS Rate and the Index.

(b) Promptly after the Submission Deadline on each Auction Date, the Auction Agent will assemble all Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to as a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, and collectively as a "Submitted Order") and will determine (i) the Available Bonds, (ii) whether there are Sufficient Clearing Bids, and (iii) the M-STARS Rate.

(c) Promptly after the Auction Agent has made the determinations pursuant to subsection (b) above, the Auction Agent will advise the Trustee by telephone (promptly confirmed in writing), telex or facsimile transmission or other electronic communication acceptable to the parties of the M-STARS Rate for the next succeeding Auction Period and the Trustee will promptly notify the Company and DTC of such M-STARS Rate.

(d) In the event the Auction Agent shall fail to calculate or, for any reason, fails to provide the M-STARS Rate for any Auction Period, (i) if the preceding Auction Period was a period of 35 days or less, the new Auction Period will be the same as the preceding Auction Period and the M-STARS Rate for the new Auction Period will be the same as the M-STARS Rate for the preceding Auction Period, and (ii) if the preceding Auction Period was a period of greater than 35 days, the preceding Auction Period will be extended to the next Wednesday (or if such Wednesday is not followed by a Business Day then to the next succeeding day which is followed by a Business Day) and the M-STARS Rate in effect for the preceding Auction Period will continue in effect for the Auction Period as so extended. In the event Auction Period is extended as set forth in clause (ii) of the preceding sentence, an Auction will be held on the last Business Day of the Auction Period as so extended to take effect for an Auction Period beginning on the Business Day immediately following the last day of the Auction Period as extended which Auction Period will end on the date it would otherwise have ended on had the prior Auction Period not been extended. However, if the Auction Procedures are suspended due to the failure to pay principal of,

premium or interest on any Bond, the M-STARS Mode Rate for the next succeeding Auction Period shall be the Default Rate.

(e) In the event of a failed conversion to an Interest Rate other than the M-STARS Mode Rate or in the event of a failure to change the length of the current Auction Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first new Auction Period, the M-STARS Mode Rate for the next Auction Period will be the Maximum M-STARS Rate and the Auction Period will be a seven-day Auction Period.

(f) If the Bonds are not rated or if the Bonds are no longer registered in the name of the Securities Depository, then the M-STARS Mode Rate will be the Maximum M-STARS Rate.

Allocation of Bonds

(a) In the event of Sufficient Clearing Bids, subject to the further provisions of subsections (c) and (d) below, Submitted Orders will be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner will be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Sell Order of each Existing Owner will be accepted and the Submitted Bid of each Existing Owner specifying any rate that is higher than the Winning Bid Rate will be rejected, thus requiring each such Existing Owner to sell the Bonds that are the subject of such Submitted Sell Order or Submitted Bid;

(iii) the Submitted Bid of each Existing Owner specifying any rate that is lower than the Winning Bid Rate will be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Bid of each Potential Owner specifying any rate that is lower than the Winning Bid Rate will be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(v) the Submitted Bid of each Existing Owner specifying a rate that is equal to the Winning Bid Rate will be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid, but only up to and including the principal amount of Bonds obtained by multiplying (A) the aggregate principal amount of Outstanding Bonds which are not the subject of Submitted Hold Orders described in paragraph (i) above or of Submitted Bids described in paragraphs (iii) or (iv) above by (B) a fraction the numerator of which will be the principal amount of Outstanding Bonds held by such Existing Owner subject to such Submitted Bid and the denominator of which will be the aggregate principal amount of Outstanding Bonds subject to such Submitted Bids made by all such Existing Owners that specified a rate equal to the Winning Bid Rate, and the remainder, if any, of such Submitted Bid will be rejected, thus requiring each such Existing Owner to sell any excess amount of Bonds;

(vi) the Submitted Bid of each Potential Owner specifying a rate that is equal to the Winning Bid Rate will be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid, but only in an amount equal to the principal amount of Bonds obtained by multiplying (A) the aggregate principal amount of Outstanding

Bonds which are not the subject of Submitted Hold Orders described in paragraph (i) above or of Submitted Bids described in paragraphs (iii), (iv) or (v) above by (B) a fraction the numerator of which will be the principal amount of Outstanding Bonds subject to such Submitted Bid and the denominator of which will be the sum of the aggregate principal amount of Outstanding Bonds subject to such Submitted Bids made by all such Potential Owners that specified a rate equal to the Winning Bid Rate, and the remainder of such Submitted Bid will be rejected; and

(vii) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Winning Bid Rate will be rejected.

(b) In the event there are not Sufficient Clearing Bids, subject to the further provisions of subsections (c) and (d) below, Submitted Orders will be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner will be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Bid of each Existing Owner specifying any rate that is not higher than the Maximum M-STARS Rate will be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iii) the Submitted Bid of each Potential Owner specifying any rate that is not higher than the Maximum M-STARS Rate will be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Sell Orders of each Existing Owner will be accepted as Submitted Sell Orders and the Submitted Bids of each Existing Owner specifying any rate that is higher than the Maximum M-STARS Rate will be deemed to be and will be accepted as Submitted Sell Orders, in both cases only up to and including the principal amount of Bonds obtained by multiplying (A) the aggregate principal amount of Bonds subject to Submitted Bids described in paragraph (iii) of this subsection (b) by (B) a fraction the numerator of which will be the principal amount of Outstanding Bonds held by such Existing Owner subject to such Submitted Sell Order or such Submitted Bid deemed to be a Submitted Sell Order and the denominator of which will be the principal amount of Outstanding Bonds subject to all such Submitted Sell Orders and such Submitted Bids deemed to be Submitted Sell Orders, and the remainder of each such Submitted Sell Order or Submitted Bid will be deemed to be and will be accepted as a Hold Order and each such Existing Owner will be required to continue to hold such excess amount of Bonds; and

(v) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Maximum M-STARS Rate will be rejected.

(c) If, as a result of the procedures described in subsection (a) or (b) above, any Existing Owner or Potential Owner would be required to purchase or sell an aggregate principal amount of Bonds which is not an integral multiple of \$25,000 on any Auction Date, the Auction Agent will by lot, in such manner as it will determine in its sole discretion, round up or down the principal amount of Bonds to be purchased or sold by any Existing Owner or Potential Owner on such Auction Date so that the aggregate principal amount of Bonds purchased or sold by each Existing Owner or Potential Owner on such Auction Date will be an integral multiple of \$25,000, even if such allocation results in one or more of such Existing Owners or Potential Owners not purchasing or selling any Bonds on such Auction Date.

(d) If, as a result of the procedures described in subsection (a) above, any Potential Owner would be required to purchase less than \$25,000 in principal amount of Bonds on any Auction Date, the Auction Agent will by lot, in such manner as it will determine in its sole discretion, allocate Bonds for purchase among Potential Owners so that the principal amount of M-STARs purchased on such Auction Date by any Potential Owner will be an integral multiple of \$25,000, even if such allocation results in one or more of such Potential Owners not purchasing Bonds on such Auction Date.

Notice of M-STARs Mode Rate

(a) On each Auction Date, the Auction Agent will notify by telephone or other telecommunication device or other electronic communication acceptable to the parties or in writing each Broker-Dealer that participated in the Auction held on such Auction Date of the following:

(i) the M-STARs Mode Rate determined on such Auction Date for the succeeding Auction Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected and the principal amount of Bonds, if any, to be sold by such Existing Owner;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected and the principal amount of Bonds, if any, to be purchased by such Potential Owner;

(v) if the aggregate principal amount of the Bonds to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate principal amount of Bonds to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the principal amount of Bonds to be (A) purchased from one or more Existing Owners on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Owners on whose behalf such Broker-Dealer submitted Bids; and

(vi) the immediately succeeding Auction Date.

(b) On each Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner will:

(i) advise each Existing Owner and Potential Owner on whose behalf such Broker-Dealer submitted an Order as to (A) the M-STARs Mode Rate determined on such Auction Date, (B) whether any Bid or Sell Order submitted on behalf of each such Owner was accepted or rejected and (C) the immediately succeeding Auction Date;

(ii) instruct each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Existing Owner's Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the principal amount of Bonds to be purchased pursuant to such Bid

(including, with respect to the Bonds in a daily Auction Period, accrued interest if the purchase date is not an Interest Payment Date for such Bond) against receipt of such Bonds; and

(iii) instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected in whole or in part, to instruct such Existing Owner's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through the Securities Depository the principal amount of Bonds to be sold pursuant to such Bid or Sell Order against payment therefor.

Index

(a) The Index on any Auction Date with respect to Bonds in any Auction Period of 35 days or less will be LIBOR, but not in excess of the Maximum Rate. The Index with respect to Bonds in any Auction Period of greater than 35 days will be the rate on United States Treasury securities having a maturity which most closely approximates the length of the Auction Period, as last published in *The Wall Street Journal*. If either rate is unavailable, the Index will be an index or rate agreed to by all Broker-Dealers and consented to by the Company.

(b) If for any reason on any Auction Date the Index will not be determined as hereinabove provided in this Section, the Index will be the Index for the Auction Period ending on such Auction Date.

(c) The determination of the Index as provided herein will be conclusive and binding upon the Company, the Paying Agent, the Broker-Dealers, the Auction Agent, the Registered Owners and the Beneficial Owners of the Bonds.

Miscellaneous Provisions Regarding Auctions

(a) In this Appendix B, each reference to the purchase, sale or holding of Bonds will refer to beneficial interests in Bonds, unless the context clearly requires otherwise.

(b) During an M-STARS Rate Period, the provisions of the Indenture and the definitions contained in it, relating to the establishment of the Auction Rate, Auction Periods and Auctions, and including provisions described in this Appendix B, including without limitation the definitions of All-Hold Rate, Default Rate, Maximum M-STARS Rate, Minimum M-STARS Rate, Index, M-STARS Mode Multiple and M-STARS Rate, may be amended, as provided in the Indenture, by obtaining the consent from the Registered Owners of all Outstanding Bonds bearing interest at the M-STARS Mode Rate as follows: If on the first Auction Date occurring at least 20 days after the date on which notice of such proposed amendment shall be given by mail to the Registered Owners of the Outstanding Bonds, (i) the M-STARS Mode Rate which is determined on such date is the Winning Bid Rate and (ii) there is delivered to the Trustee, the Company, the Insurer and the Authority a Favorable Opinion of Bond Counsel, including an opinion to the effect that such amendment shall not adversely affect any Registered Owners of Bonds not bearing interest at the Auction Rate, and that the amendment will not cause the Bonds not to be the valid and binding obligations of the Authority, conclusively the proposed amendment shall be deemed to have been consented to by the Registered Owners of all affected Outstanding Bonds bearing interest at the M-STARS Mode Rate.

(c) If the Securities Depository notifies the Company, the Insurer and the Authority that it is unwilling or unable to continue as owner of the Bonds or if at any time the Securities Depository shall no longer be registered or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation and a successor to the Securities Depository is not appointed by the Company within 90 days after the Company receives notice or becomes aware of such condition, as the

case may be, the Authority shall execute and the Trustee shall authenticate and deliver certificates representing the Bonds. Such Bonds shall be registered in such names and authorized denominations as the Securities Depository, pursuant to instructions from the Agent Members or otherwise, shall instruct the Company, the Insurer and the Trustee.

(d) While the Bonds bear interest at the M-STARS Mode Rate, so long as the ownership of the Bonds is maintained in book-entry form by the Securities Depository, an Existing Owner or a beneficial owner may sell, transfer or otherwise dispose of a Bond only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or to or through a Broker-Dealer, *provided, however*, that (i) in the case of all transfers other than pursuant to Auctions, such Existing Owner or its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer and (ii) a sale, transfer or other disposition of Bonds from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the holder of such Bonds to that Broker-Dealer or another customer of that Broker-Dealer shall not be deemed to be a sale, transfer or other disposition for purposes of this paragraph if such Broker-Dealer remains the Existing Owner of the Bonds so sold, transferred or disposed of immediately after such sale, transfer or disposition.

Changes in Auction Period or Auction Date

(a) Changes in Auction Period. (i) During any M-STARS Rate Period, the Company, with the consent of the Insurer, may, from time to time on any Interest Payment Date, change the length of the Auction Period with respect to all of the Bonds among daily, seven-days, 28-days, 35-days, three months, six months and a Flexible Auction Period in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by such Bonds. The Company will initiate the change in the length of the Auction Period by giving written notice to the Paying Agent, the Insurer, the Auction Agent, the Broker-Dealers and the Securities Depository that the Auction Period will change if the conditions described herein are satisfied and the proposed effective date of the change, at least 10 Business Days prior to the Auction Date for such Auction Period.

(ii) Any such changed Auction Period will be for a period of one day, seven-days, 28-days, 35-days, three months, six months or a Flexible Auction Period and will be for all of the Bonds in a M-STARS Rate Period.

(iii) The change in the length of the Auction Period will not be allowed unless Sufficient Clearing Bids existed at both the Auction before the date on which the notice of the proposed change was given as provided in this subsection (a) and the Auction immediately preceding the proposed change. If the condition referred to in the preceding sentence is not met, the M-STARS Rate for the next Auction Period shall be the Maximum M-STARS Rate, and the Auction Period shall be a seven-day Auction Period.

(iv) On the conversion date for Bonds selected for conversion from one Auction Period to another, any Bonds which are not the subject of a specific Hold Order or Bid will be deemed to be subject to a Sell Order.

(v) No conversion from one Auction Period to another shall be effective unless the Company shall file with the Authority, the Insurer, the Paying Agent and the Trustee a Favorable Opinion of Bond Counsel regarding the conversion.

(b) Changes in Auction Date. During any M-STARS Rate Period, the Auction Agent, with the written consent of the Company, may specify an earlier Auction Date (but in no event more than five Business Days earlier) than the Auction Date that would otherwise be determined in accordance with the

definition of “Auction Date” in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne on the Bonds. The Auction Agent will provide notice of its determination to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Paying Agent, the Authority, the Broker-Dealers and the Securities Depository, or any other securities depository for the Bonds.

Auction Agent

Auction Agent. The Auction Agent will be appointed by the Paying Agent at the written direction of the Company, to perform the functions specified in the Indenture. The Auction Agent will designate its Principal Office and signify its acceptance of the duties and obligations imposed upon it under the Indenture by a written instrument, delivered to the Company, the Paying Agent and each Broker-Dealer which will set forth such procedural and other matters relating to the implementation of the Auction Procedures as will be satisfactory to the Authority and the Paying Agent.

Qualifications of Auction Agent; Resignation; Removal. The Auction Agent shall be (a) a bank or trust company organized under the laws of the United States or any state or territory thereof having a combined capital stock, surplus and undivided profits of at least \$30,000,000, or (b) a member of the National Association of Securities Dealers, Inc. having a capitalization of at least \$30,000,000 and, in either case, authorized by law to perform all the duties imposed upon it by this Indenture and a member of or a participant in, the Securities Depository. The Auction Agent may at any time resign and be discharged of the duties and obligations created by the Indenture by giving at least ninety (90) days’ notice to the Company, the Insurer and the Paying Agent. The Auction Agent may be removed at any time by the Company by written notice, delivered to the Auction Agent, the Company, the Insurer and the Paying Agent, and shall be removed at the direction of the Insurer in the event of a breach by the Auction Agent of its duties under the Indenture or under the Auction Agreement or upon the occurrence of two failed Auctions. Upon any such resignation or removal, the Paying Agent, upon written direction of the Company, shall appoint a successor Auction Agent meeting the requirements described herein. In the event of the resignation or removal of the Auction Agent, the Auction Agent shall pay over, assign and deliver any amounts and Bonds held by it in such capacity to its successor. The Auction Agent shall continue to perform its duties until its successor has been appointed by the Paying Agent with the written approval of the Insurer. In the event that the Auction Agent has not been compensated for its services, the Auction Agent may resign by giving thirty (30) days’ notice to the Authority, the Company, the Insurer and the Paying Agent even if a successor Auction Agent has not been appointed.