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OCT 6 2000

Missouri Public
Service Commission

Exhibit No.:

Issue: Transfer of Assets

Witness: Craig D. Nelson

Type of Exhibit: Direct Testimony

Sponsoring Party: Union Electric Co.
d/b/a AmerenUE

Case No.:

Date Testimony Prepared: October 5, 2000

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. EM-2001-233

DIRECT TESTIMONY

OF

CRAIG D. NELSON

PUBLIC VERSION

St. Louis, Missouri

MISSOURI PUBLIC SERVICE COMMISSION

STATE OF MISSOURI

FILED²
OCT 6 2000

Missouri Public
Service Commission

In the matter of the Application of Union)
Electric Company (d/b/a AmerenUE) for)
an order to authorizing the sale, transfer)
and assignment of certain Assets, Real)
Estate Leased Property, Easements and)
Contractual Agreements to Central Illinois)
Public Service Company (d/b/a AmerenCIPS))
and, in connection therewith, certain other)
related transactions.)

Case No. EM-2001-233

AFFIDAVIT OF CRAIG D. NELSON

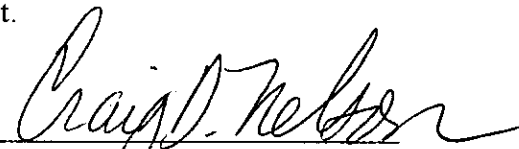
STATE OF MISSOURI)
) SS
CITY OF ST. LOUIS)

Craig D. Nelson, being first duly sworn on his oath, states:

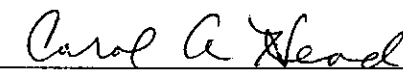
1. My name is Craig D. Nelson. I work in the City of St. Louis, Missouri, and I am Vice President – Corporate Planning of Ameren Services Company.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony consisting of pages 1 through 15, including Schedules 1 through 4, all of which testimony has been prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. _____ on behalf of Union Electric Company.

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct.


Craig D. Nelson

Subscribed and sworn to before me this 5th day of October, 2000.


Notary Public

CAROL A. HEAD
Notary Public - Notary Seal
STATE OF MISSOURI
St. Charles County
My Commission Expires: Sept. 23, 2002

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Q. Please state your name and business address.

Q. By whom are you employed and in what capacity?

A. I am Vice President - Corporate Planning of Ameren Services Company.

Q. Please describe Ameren Services Company.

A. Ameren Services is a subsidiary of Ameren Corporation which provides various administrative and technical support services for its parent and other subsidiaries including Union Electric Company doing business as AmerenUE (“AmerenUE”) and Central Illinois Public Service Company doing business as AmerenCIPS (“AmerenCIPS”). Ameren Services was formed as a result of the December 1997 merger of Union Electric and CIPSCO Incorporated.

Q. Please provide your educational and employment history.

A. I earned a bachelor's degree in accounting in 1977, graduating with highest honors, and a master's in business administration in 1984. Both degrees were awarded by Southern Illinois University - Edwardsville, Ill. I am a Certified Public Accountant.

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I worked for Arthur Andersen & Co. from 1977 to 1979 when I joined Central Illinois Public Service Company as a Tax Accountant. Later in 1979 I was promoted to Income Tax Supervisor. I served in various tax and accounting positions until 1985 when I was appointed Assistant Treasurer. In 1989, I became Treasurer and Assistant Secretary, a position I held for seven years. In 1996, I was elected Vice President of Corporate Services. Effective December 31, 1997, at the time of the merger, I was named Vice President, Merger Coordination for Ameren Services. In 1998, I assumed the additional responsibility of Vice President of Regulatory Planning. Effective June 1, 1999, I was appointed to my current position - Vice President, Corporate Planning.

Q. Please describe your duties and responsibilities as Vice President – Corporate Planning.

A. My duties and responsibilities include strategic and business planning, business development, corporate analysis, rate engineering and regulatory functions.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to explain how and why Ameren Corporation ("Ameren") proposes to transfer the electric transmission and distribution and gas properties of AmerenUE in the Metro East area in Illinois ("Metro East") to AmerenCIPS.

Q. Please describe Ameren.

A. Ameren is a registered holding company subject to regulation by the U. S. Securities and Exchange Commission under the Public Utility Holding Company Act of 1935 ("PUHCA"). Ameren holds a number of subsidiary companies including two utility operating company subsidiaries: AmerenCIPS and AmerenUE, and a holding company subsidiary, Ameren Energy Resources Company, which owns an Illinois nonregulated

1 generating subsidiary, Ameren Energy Generating Company ("Genco") and a marketing
2 company subsidiary, Ameren Energy Marketing Company ("AEMC"). The latter
3 companies were formed in conjunction with AmerenCIPS' transfer of its generating assets
4 to Genco on May 1, 2000. This transfer was previously approved by the Missouri Public
5 Service Commission, the Illinois Commerce Commission, the Federal Energy Regulatory
6 Commission ("FERC") and the Securities and Exchange Commission ("SEC").

7 **Q. Please describe each of these companies in more detail.**

8 A. **AmerenCIPS.** AmerenCIPS provides electric service to approximately 320,000
9 customers and gas service to approximately 170,000 customers, all in the State of Illinois.
10 AmerenCIPS' entire source of supply of electric power and energy is obtained through a
11 Power Supply Agreement ("PSA") with AEMC which was executed as a part of the
12 generating asset transfer.

13 **AmerenUE.** AmerenUE provides electric service to over 1 million customers and gas
14 service to 130,000 customers in Missouri and Illinois. AmerenUE has approximately
15 62,000 electric and 18,000 gas customers in Illinois; its principal service area is in
16 Missouri.

17 Genco and AmerenUE are parties to a Joint Dispatch Agreement ("JDA"), under
18 which they jointly dispatch their combined generating resources to minimize system
19 production costs. The JDA, which was approved by this Commission in the Ameren
20 merger proceeding and as amended for the generating asset transfer, in that proceeding,
21 sets forth detailed guidelines for assignment of energy costs associated with the generation
22 and purchase of electric energy to satisfy AmerenCIPS' and AmerenUE's native load and
23 other Genco load obligations, and for assigning costs and revenues associated with certain

1 off-system sales. Additionally, AmerenCIPS is a party to the JDA because it governs the
2 assignment of costs and revenues between AmerenCIPS and AmerenUE associated with
3 third-party transmission transactions under the Ameren Open Access Transmission Tariff
4 on file with the FERC.

5 **Ameren Energy Resources Company.** Ameren Energy Resources is a wholly-owned
6 Illinois subsidiary of Ameren that owns Genco and AEMC and other unregulated affiliated
7 companies.

8 **Ameren Energy Generating Company.** Genco is an exempt wholesale generator that
9 owns and operates generating assets formerly owned by AmerenCIPS, as well as other
10 generating assets. Genco assumed all of AmerenCIPS' obligations under various fuel
11 supply, transportation, maintenance and employment agreements associated with the
12 generating assets. Genco supplies power and energy at wholesale to AEMC. Genco's
13 principal source of supply are the five fossil fuel generating stations that it owns: Newton,
14 Coffeen, Meredosia, Grand Tower and Hutsonville. These five stations have a total
15 generating capacity of 2,860 megawatts. Genco also has nine newly acquired generating
16 units, with a combined capacity of 584 megawatts. These stations use natural gas as fuel
17 and will be used to supply peaking power. Genco plans to add additional generating
18 capacity in future years. Additionally, AmerenCIPS is a 20% owner of Electric Energy,
19 Inc. ("EEInc."), which owns and operates a 1010 MW generating station in Joppa, Illinois.
20 AmerenCIPS has assigned to AEMC its energy entitlement from the Joppa plant pursuant
21 to an Electric Sales Agreement between AmerenCIPS and AEMC.

22 Genco also provides wholesale electric service to most of the former wholesale
23 customers of AmerenCIPS and to some former wholesale customers of AmerenUE.

1 **Ameren Energy Marketing Company.** AEMC markets power and energy at wholesale
2 as a power marketer and at retail as an alternative retail electric supplier in Illinois.
3 AEMC obtains power and energy from Genco at wholesale, under a contract approved by
4 the FERC, and supplies power and energy to AmerenCIPS under the PSA and supplies
5 power to other customers at wholesale and retail. As I noted above, AEMC also assumed
6 AmerenCIPS' energy entitlement under AmerenCIPS' Power Supply Agreement with
7 EEInc.

8 **Q. How does Ameren intend to restructure its operations?**

9 A. Under the proposed restructuring, Ameren intends to transfer the electric transmission and
10 distribution assets and gas assets and associated obligations of AmerenUE's Metro East
11 retail operations in Illinois to AmerenCIPS. Under the plan, AmerenUE would cease
12 doing business as an electric and gas utility in the state of Illinois. In Illinois, Ameren
13 made separate filings with the Illinois Commerce Commission: one to transfer the electric
14 business and another to transfer the gas business.

15 **Q. How will the proposed transfer be implemented?**

16 A. The transfer of the combined electric and gas assets is planned to be accomplished in the
17 following manner:

- 18 1. AmerenUE will transfer approximately 50 percent of the combined assets net of
19 liabilities to AmerenCIPS in exchange for a promissory note in an amount equal to
20 approximately 50 percent of the total net book value, estimated to be
21 approximately \$51 million.
- 22 2. AmerenUE will hold the note and receive payments including interest from
23 AmerenCIPS.
- 24 3. AmerenUE also will declare an "in kind" dividend to Ameren equal to the
25 remaining balance (approximately 50 percent) of net book value of the combined
26 assets net of liabilities, estimated to be approximately \$51 million.
27
28

4. Ameren will then transfer the dividend assets and liabilities to AmerenCIPS as a capital contribution.

Q. You mentioned there were separate filings in Illinois, is it possible that the electric transfer may be made separately from the gas transfer?

A. Yes. Since the filings were made under different statutory provisions, it is possible the transfers may not coincide.

Q. Please describe the proposed transaction if AmerenUE's Illinois electric business is transferred to AmerenCIPS separately from its gas business.

A. The transfer is proposed to be accomplished in the same manner as described above. In the case of the transfer of the electric assets only, the estimated amount of the promissory note is \$46 million and the estimated amount of the dividend is \$46 million.

Q. Please describe the proposed transaction if AmerenUE's Illinois gas business is transferred to AmerenCIPS separately from its electric business.

A. The transfer is proposed to be accomplished in the same manner as described above. In the case of the transfer of the gas assets only, the estimated amount of the promissory note is \$5 million and the estimated amount of the dividend is \$5 million.

Q. In making these estimates as to net book value, what date did you assume for the asset transfer?

A. The estimates are based on a projected December 31, 2000 transfer date. The estimates will be adjusted to financial records at the time of the actual transfer.

Q. Please explain why Ameren is proposing to divide the transfer into two parts, promissory note exchange and dividend/capital contribution.

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1 A. The 50% note and 50% dividend structure of the transaction will maintain a capital
2 structure at AmerenUE substantially the same as its present capital structure. Debt and
3 equity at AmerenUE will decrease by the same amount. The 50% debt and 50% equity
4 nature of this transaction also helps to maintain return on equity at AmerenUE, after
5 transfer, at approximately the same level as before transfer.

6 **Q. What assets and obligations will be transferred?**

7 A. AmerenUE will transfer its electric transmission and distribution and gas assets and
8 associated general plant assets and related liabilities in Metro East to AmerenCIPS. These
9 assets are described in the form of Asset Transfer Agreement, which is attached hereto as
10 Schedule 1. Ameren's Venice generating station and transmission facility dedicated to its
11 exclusive use are not included in the proposed transfer. No assets recorded in generation
12 accounts on AmerenUE's books will be transferred to AmerenCIPS.

13 AmerenUE will also assign all related obligations to AmerenCIPS, including
14 without limitation, the certificates of public convenience and necessity granted by the
15 Illinois Commerce Commission authorizing AmerenUE to provide electric utility service in
16 Illinois, environmental permits and obligations, all municipal and county franchises, labor
17 agreements (as applicable), and any other relevant agreements that exist as of the transfer
18 date.

19 **Q. What are the proposed accounting entries to record the transfer of the Metro East**
20 **assets and liabilities?**

21 A. Proposed accounting entries are attached hereto as Schedule 2.

22 **Q. Please describe the terms of the promissory note proposed to be received by**
23 **AmerenUE as a part of the transfer.**

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1 A. The note will have an initial five year term, with a ten-year amortization schedule, with a
2 balloon payment at the end of the fifth year, unless the Note's term is extended for an
3 additional five years by agreement of the parties. The interest rate will be a market rate of
4 interest.

5 The form of promissory note proposed to be issued by Ameren CIPS to
6 AmerenUE is attached hereto as Schedule 3.

7 **Q. What is the effect of the proposed transfer?**

8 A. The effect of the various components of the transfer is that, as of the transfer date,
9 AmerenUE will no longer own any transmission (except transmission dedicated to the
10 Venice generating station) or distribution assets in Illinois nor be responsible for any of the
11 liabilities, supply contracts or labor agreements associated with those assets. AmerenCIPS
12 will assume all transmission and distribution obligations of Metro East. AmerenUE will
13 maintain a capital structure substantially the same as its present capital structure.
14 AmerenUE will continue to function as a fully integrated utility in Missouri and will retain
15 ownership of certain generation assets in Illinois. AmerenUE will cease to act as an
16 electric and gas utility in Illinois.

17 **Q. After the transfer, what will be the source of power and energy to serve the**
18 **transferred customers?**

19 A. The requirements of the transferred customers, like AmerenCIPS' existing customers, will
20 be satisfied pursuant to the FERC jurisdictional PSA between AEMC and AmerenCIPS,
21 which extends to December 31, 2004.

22 **Q. Mr. Nelson, please explain why Ameren proposes to transfer the Illinois electric**
23 **properties of AmerenUE to AmerenCIPS.**

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1 A. The primary purpose for the transfer is to alleviate AmerenUE's projected capacity
2 shortfall through 2004 in a manner beneficial to Missouri customers. The transfer is the
3 lowest cost alternative available to supply AmerenUE's capacity and energy needs through
4 2004.

5 A second purpose of the transfer, from an Illinois perspective, is to insulate Metro
6 East electric customers from the risks associated with the competitive generation business
7 through 2004 (the term of the PSA and the end of the Customer Choice Law transition
8 period described below), and to assign the risks and benefits of competitive operations to
9 entities specifically created to operate in a competitive environment. In short, Ameren
10 seeks to separate all of its wires business in Illinois from the generation business. Ameren
11 previously did so, with the appropriate regulatory approval for AmerenCIPS, and Ameren
12 now seeks to do so for AmerenUE's Illinois operations.

13 **Q. Please explain further.**

14 A. Ameren is proposing to restructure its operations in consideration of the following issues
15 and benefits to Ameren and its retail customers.

- 16 1. AmerenUE's forecast shows that an additional supply of power and energy beyond
17 its current generation capacity will be required through 2004 and beyond in order
18 to provide for its Missouri and Illinois customers' needs and maintain a 15% to
19 18% reserve margin. Based on a minimum 15% reserve margin, AmerenUE
20 forecasts a capacity shortfall of 327 MW in 2001, 410 MW in 2002, 462 MW in
21 2003, 583 MW in 2004. (Schedule 4 of my testimony contains the Resource Plans
22 for AmerenUE and AEMC.) These shortfalls will have to be met through the

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1 purchase of power and energy at market prices or with the addition of new
2 AmerenUE generation capacity, or some combination thereof.

3 2. The transfer of AmerenUE's Metro East service territory in Illinois to
4 AmerenCIPS would include the transfer of 520 MW of firm load. This transfer
5 would alleviate AmerenUE's capacity shortfall through 2004, assuming a minimum
6 15% reserve margin.

7 3. The transfer results in an increase in existing AmerenUE capacity available to serve
8 Missouri customers. This allows the current Missouri retail customers of
9 AmerenUE to achieve greater benefits from an installed generating base currently
10 valued at approximately \$350/kW, rather than constructing additional gas-fired
11 capacity at a current cost of at least \$420/kW. A 520 MW peak demand reduction
12 would defer the construction of \$218 million of new plants. The avoided cost, at
13 \$350/kW versus \$420/kW for 520 MW's at a 16.39% carrying cost, results in a
14 savings of \$6 million per year in fixed costs.

15 4. With the 520 MW demand on AmerenUE's system transferred to AmerenCIPS,
16 regulated Missouri customers will enjoy (1) lower average production costs and
17 (2) fewer energy purchases during periods of peak demand. For example, average
18 variable production costs of AmerenUE plants, approximately \$16 per MWh, are
19 much less costly than variable production costs of gas-fired capacity, at more than
20 \$50 per MWh, or market purchases, about \$38 per MWh. (The variable
21 production costs of gas-fired capacity is based on a current natural gas price of
22 \$4.89/mmbtu. The \$38 per MWh market price is based on an average of the next
23 12 months of Cinergy futures contracts, adjusted to around-the-clock usage and a

55% load factor.) Because the variable production costs of AmerenUE plants are less costly than gas-fired capacity and market purchases of energy, AmerenUE anticipates the transfer will result in lower costs for Missouri customers.

5. Since AmerenUE's customers in Missouri will receive the benefits of the increase in existing AmerenUE capacity from the Callaway nuclear plant, it is appropriate all future decommissioning charges be paid by these customers. The transfer will terminate the obligation of AmerenUE's Illinois customers to pay decommissioning charges related to Callaway. As explained in Mr. Redhage's testimony, existing assets in the nuclear decommissioning sub-account for Illinois will be reallocated to Missouri and Wholesale sub-accounts.

6. AmerenCIPS has a PSA with AEMC that provides full requirements for AmerenCIPS which will automatically cover the transferred load, thus assuring Metro East customers an adequate power supply. The PSA should help insulate Metro East customers remaining on bundled tariffs from the volatility of market prices through 2004. The transfer will assure an adequate power supply for the former AmerenUE Metro East customers, while maintaining the same rates that were in existence before the transfer. AmerenCIPS intends to maintain the same Metro East rate schedules that were in existence immediately prior to the transfer.

Q. What is the amount of the nuclear decommissioning costs currently paid by the Metro East customers?

A. Revenue collected under AmerenUE's Rider DEF – Decommissioning Expense Factor - in its Metro East territory amounts to approximately \$300,000 per year.

1 However, as explained in Mr. Redhage's testimony, no increase in the annual jurisdictional
2 expense and amount currently contributed by Missouri ratepayers will be necessary.

3 **Q. Will AmerenUE have a proper year-by-year reserve margin after the transfer?**

4 A. Yes. With an increase of 520 MW's available to serve Missouri load, AmerenUE's
5 reserve margin, after transfer, will be 18.7% in 2001; 17.5% in 2002; 16.8% in 2003; and
6 15.2% in 2004, all within a proper range.

7 **Q. What are the criteria for minimum long-term planning reserve margins**
8 **promulgated by MAIN?**

9 A. The MAIN Board has approved a minimum long-term (several years) planning reserve
10 margin of 17 to 20% for MAIN as a whole.

11 **Q. Does MAIN have short-term planning reserve margin criteria?**

12 A. Short-term criteria has never been formally approved. MAIN's experience has shown that
13 a planning reserve margin of at least 15% has been adequate for resources in service at the
14 beginning of the summer load period.

15 **Q. Are there reasons to plan for reserve margins in the 17 to 20% range?**

16 A. Planning reserve margins as low as 15% may be acceptable under perfect planning in a
17 "normal" market where market energy prices do not exceed \$100 – \$200/MWh.
18 However, in a highly volatile market where prices may swing to the \$5,000/MWh range as
19 they did in the 1998 and 1999 summer periods, unexpected unit outages can result in very
20 significant energy costs for electric utilities and their customers. Even worse for
21 customers, power may not be available at any price during periods of high demand.
22 Therefore, reserve margins in the 17 to 20% range further cushion customers from "non-
23 normal" market conditions.

Q. How does Ameren intend to meet its capacity and energy needs beyond 2004?

A. AmerenUE will continue to present its 10-year Resource Plan to the Staffs of the Missouri Public Service Commission and Office of Public Counsel on a semiannual basis. AmerenUE will be considering alternatives to meet its post-2004 capacity and energy needs.

Q. Will the transfer benefit consumers?

A. Yes. The transfer results in a significant net benefit to AmerenUE's Missouri retail customers. Costs avoided by Missouri customers as a result of the transfer include (1) the ability to defer construction of new generation to serve AmerenUE retail load with an estimated annual savings of \$6 million per year and (2) future reductions in energy costs. As mentioned above, the positive benefits are offset, in part, by the reallocation of decommissioning costs formerly allocated to Illinois ratepayers. In summary, the transfer is the lowest cost available alternative to supply AmerenUE's capacity and energy needs through 2004.

Q. Is the Company's intent of increasing existing AmerenUE capacity available to serve Missouri customers consistent with previous Commission decisions?

A. Yes, it is. In Case No. EA-2000-37 (the Genco proceeding), the Commission considered and approved a Unanimous Stipulation and Agreement which contained the following language¹:

7. In addition to the above, AmerenUE advised it would seek to serve certain of AmerenUE's current wholesale customers through the new Genco and Marketing Company in the future. AmerenUE stated that this would result in an increase in existing AmerenUE capacity available to serve its retail customers. Five contracts representing 1998 demand of 260 mw of

¹ "Order Approving Unanimous Stipulation and Agreement, Making Findings Under the Public Utilities Holding Company Act, and Closing Case", Case No. EA-2000-37, dated January 13, 2000.

1 capacity are expiring at the end of the year 2000. Three contracts,
2 representing 1998 demand of 19 mw of capacity, expire during 2003. If a
3 successful bidder, AmerenUE intends to serve this load out of the Marketing
4 Company and use existing AmerenUE generation facilities that were
5 formerly dedicated to supplying wholesale customers to supply
6 AmerenUE's retail load. With these demands on the AmerenUE system
7 released, AmerenUE stated that the remaining regulated customers will
8 enjoy a lower average fuel price and the need to buy less energy during
9 periods of peak demand. AmerenUE anticipated that this would result in a
10 decrease in fuel costs to its regulated customers of \$14 million to \$18
11 million dollars per year. Further, AmerenUE stated, this reduction in peak
12 demand defers the need for significant additional generating units to be
13 constructed and brought into AmerenUE's rate base. AmerenUE states
14 this would allow the current retail customers of AmerenUE to achieve
15 greater benefits from an installed generating asset base currently valued at
16 \$322/kW name plate, \$343/kW net, rather than constructing additional
17 gas-fired capacity at an estimated cost of \$390/kW net. AmerenUE
18 estimates that a reduction of 297 MW peak demand along with a 15%
19 capacity margin would defer the construction of \$133 million of new
20 plants, with a savings of \$23 million in fixed costs.

21
22 The actions approved in the Genco proceeding are the same requested here – customer
23 load shifts to an affiliate thereby increasing the amount of existing AmerenUE capacity
24 available to serve Missouri customers.

25 **Q. When does AmerenUE propose to transfer the Metro East electric and gas**
26 **businesses?**

27 **A.** On October 2, 2000, AmerenUE filed a notice under Section 16-111(g) of the Illinois
28 Public Utilities Act notifying the Illinois Commerce Commission of its intent to transfer
29 the electric properties. Under 16-111(g) the Illinois Commerce Commission must issue an
30 order no later than 90 days from the date of that filing. Therefore, AmerenUE anticipates
31 an order approving the transfer by year end. An Illinois Commerce Commission order
32 approving the gas transfer is expected shortly thereafter. This petition requests, and the

1 petitions with the FERC and the SEC will request, an order in early 2001 approving the
2 transfer.

3 Assuming all necessary approvals are received early in 2001, the transfer will occur
4 in the first quarter of 2001.

5 **Q. If regulatory approvals are not received early in 2001, what course of action does**
6 **AmerenUE propose?**

7 A. Without the transfer, AmerenUE forecasts a capacity shortfall of at least 327 MW in the
8 summer of 2001. If necessary regulatory approvals have not been received by February
9 15, 2001, then AmerenUE will need to issue a request for proposal for capacity and
10 energy in order to maintain a proper reserve margin and arrange for its additional energy
11 needs next summer. The timing for acquisition of capacity and energy by AmerenUE in
12 order to have the necessary planning reserve margin in place for next summer will be
13 driven by the following:

- 14 1. Capacity contracts must be in place by April 1, 2001, prior to MAIN's load and
15 resource audit which will occur at that time.
- 16 2. Resource Planning conditions specified in the Genco Stipulation and Agreement in
17 Case No. EA-2000-37 require review of the RFP process by MPSC and OPC
18 Staffs.

- 19 3. Power marketers will require two to four weeks to respond to an RFP.

20 Of course, our preference is to do the transfer before summer and not expose the
21 Company and its customers to the market risk inherent in a request for proposal process.

22 **Q. Does this conclude your testimony?**

23 A. Yes, it does.

ASSET TRANSFER AGREEMENT

among

**UNION ELECTRIC COMPANY d/b/a AMEREN UE,
CENTRAL ILLINOIS PUBLIC SERVICE COMPANY d/b/a AMEREN CIPS**

and

AMEREN CORPORATION

Dated as of , 2000

Schedule 1

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ASSET TRANSFER AGREEMENT

THIS ASSET TRANSFER AGREEMENT (this "Agreement") dated as of 2000, by and among Union Electric Company d/b/a AmerenUE, a Missouri corporation ("Transferor"), Central Illinois Public Service Company d/b/a AmerenCIPS, an Illinois corporation ("Transferee"), and Ameren Corporation, a Missouri corporation ("Parent").

WITNESSETH:

WHEREAS, Parent owns 100% of the common stock of each of Transferor and Transferee; and

WHEREAS, Transferor is a public utility company as defined in Section 3-105 of the Illinois Public Utilities Act (220 ILCS 5/3-105) and is a public utility as defined in Section 386.020 of the Missouri Public Service Commission Law (§386.020 RSMo 1994) and presently operates as a vertically integrated electric generation, transmission and distribution company and as a natural gas distribution company in the States of Illinois and Missouri; and

WHEREAS, Transferor owns and operates electric transmission and distribution facilities and natural gas distribution facilities located in the State of Illinois, which Facilities (as hereinafter defined) are more fully described in Sections 1.1(c) and 1.1(d) hereof, for use in its business of transmitting and distributing electricity and gas (the "Business"); and

WHEREAS, Transferor desires to transfer to (1) Parent, by way of an in kind dividend, a portion of, and (2) to Transferee, the remaining portion of, substantially all of its assets, properties, rights and interests that are used in or related to the Business that is conducted at the Facilities and located in the State of Illinois; and

WHEREAS, Parent desires to contribute that portion of the Business and Facilities received by it to Transferee and Transferee desires to accept from Parent and acquire from Transferor, upon the terms and subject to the conditions hereinafter set forth, in the aggregate substantially all of such assets, properties, rights and interests of Transferor that are used in or related to the Business that is conducted at the Facilities; and

WHEREAS, Transferee desires to execute and deliver to Transferor a subordinated promissory note in exchange for that portion of the Facilities and Business transferred directly to Transferee from Transferor.

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained and other good and valuable consideration had and received, Parent, Transferee and Transferor, on the basis of, and in reliance upon, the representations, warranties, covenants, obligations and agreements set forth in this Agreement, and upon the terms and subject to the conditions contained herein, hereby agree as follows:

ARTICLE I. TRANSFER OF ASSETS

1.1 Identification of Assets. Immediately prior to the Closing (as defined in Section 4.1), Transferor shall identify in reasonable detail all of the assets, properties, rights and interests owned, used, occupied or held by or for the benefit of Transferor that are used in or related to the operation of the Business at the Facilities, as the same are expected to exist as of the Closing Date (as defined in Section 4.1) and as shall be more fully described in a schedule to be delivered by Transferor to Parent and Transferee or its authorized representatives at the Closing (the "Schedule"), which Schedule shall specifically enumerate such assets, properties and rights, including, without limitation, the following:

(a) Inventory. All inventory, including inventories of products, work-in-process, finished goods, raw materials, natural gas storage, fuel stock, fuel supplies and parts, which is located at the Facilities and used in the Business (collectively, "Inventory");

(b) Fixed Assets. All tangible personal property, plant and equipment including, without limitation, buildings, structures, substations, transmission lines, distribution facilities, pipelines, fixtures, machinery and equipment, maintenance machinery and equipment, vehicles and rolling stock, office furniture and office equipment, other furnishings, leasehold improvements and construction-in-process, which is located at the Facilities and used in the Business, including without limitation plant materials and operating supplies located at the Alton storeroom and truck stock recorded in Account (as defined in Section 12.11) 154 (collectively, the "Fixed Assets");

(c) Real Property. (i) The real property rights and interests owned by Transferor and used in or relating to the operation of the Business in the State of Illinois, (ii) any easements, rights of way or other interests in real property necessary for the operation of the Business in Illinois, (iii) all buildings, structures, and leasehold improvements located at the Facilities and all appurtenances relating thereto, and (iv) all fixtures, machinery, apparatus or equipment affixed to said Facilities, including, without limitation, all of the electrical, heating, plumbing, air conditioning, air compression and all other systems located on said premises, and all other structures, fences and improvements (collectively, the "Real Property");

(d) Leased Property. All rights and interests under the lease or license agreements (the "Lease Agreements") that relate to the Business that is conducted in the State of Illinois (the premises subject to the Lease Agreements being hereinafter collectively referred to as the "Leased Property" and the premises that comprise the Leased Property and the Real Property being hereinafter collectively referred to as the "Facilities" or the "Property"; provided, however, that in no event shall "Facilities" or "Property" be deemed to include any rights or interests outside the State of Illinois);

(e) Intellectual Property Rights. Any and all intellectual property owned or possessed by Transferor and relating to the Business that is conducted at the Facilities including without limitation, copyrights, trade secrets, trademarks and patents;

(f) Business Records. All books and records that relate to the Business that is conducted at the Facilities, including, without limitation, all files, invoices, forms, accounts,

correspondence, production records, technical, accounting, manufacturing and procedural manuals, employment records, studies, reports or summaries relating to any Environmental Requirements (as defined in Section 5.1(e)), and other books and records relating to the operation of any of the Acquired Assets (as defined in this Section 1.1) or other assets or properties associated with the Business that is conducted at the Facilities, and any confidential information which has been reduced to writing or other tangible medium relating to or arising out of the Business that is conducted at the Facilities (collectively, the "Business Records");

(g) Contracts. Subject to Sections 1.4(b) and 1.5, all rights, benefits and interests of Transferor in and to all licenses, leases, contracts, agreements, commitments and undertakings relating to the Business that is conducted at the Facilities (collectively, the "Contracts");

(h) Permits. All licenses, permits, approvals, variances, waivers or consents (collectively, the "Permits"), to the extent transferable, issued by any foreign, United States, state or local governmental entity or municipality or subdivision thereof or any authority, department, commission, board, bureau, agency, court or instrumentality (collectively, "Governmental Authorities") and used in or necessary to the operation of the Business that is conducted at the Facilities;

(i) Insurance. All rights, claims and benefits of Transferor in, to or under all insurance policies maintained by Transferor for the Business that is conducted at the Facilities or for the Acquired Assets;

(j) Rolling Stock and Vehicles. All vehicles and rolling stock used in the Business that is conducted at the Facilities and that is included as part of Fixed Assets; and

(k) Petty Cash. All petty cash maintained at the East St. Louis, Illinois office of Transferor (the "Petty Cash").

(l) Accounts Receivable. All accounts receivable of Illinois electric and gas customers recorded in Account 142 (the "Accounts Receivable").

(m) Uncollectible Accounts. The provision for uncollectible accounts associated with the Accounts Receivable.

(n) Accrued Revenues. Accrued Illinois electric and gas revenues for services not billed at the time of the transfer contemplated hereby, which are recorded in Account 173.

(o) Environmental Cleanup. Amounts collected for environmental cleanup that are recorded in Account 186.

(p) Customer Deposits. Customer deposits related to Illinois electric customers that are recorded in Account 235.

(q) Miscellaneous. Except for the Retained Assets (as defined in Section 1.4), all other assets, properties, rights and interests of Transferor otherwise employed in or related to the operation of the Business at the Facilities, of every kind, nature and description, whether

tangible or intangible, real, personal or mixed, located in the State of Illinois, all of which are to be transferred, conveyed, assigned, contributed and delivered to Transferee at the Closing pursuant to this Agreement.

All of the assets, properties, rights and interests owned, used, occupied or held by or for the benefit of the Transferor in the operation of the Business at the Facilities, which are to be divided, sold, transferred, conveyed, assigned and delivered by Transferor at the Closing as contemplated herein, including without limitation, those described in clauses (a) through (q) above, but excluding the Retained Assets, are referred to herein collectively as the "Acquired Assets."

1.2 Dividend and Transfer of Assets. At the Closing, Transferor shall:

(a) transfer, convey, assign and deliver and pay to Parent by way of an in kind dividend on its common stock, declared pursuant to a duly adopted resolution of its Board of Directors, of that portion of the Acquired Assets designated on the Schedule as subject to such dividend (the "Dividend Assets"); and

(b) transfer, convey, assign, contribute and deliver to Transferee that portion of the Acquired Assets designated on the Schedule as subject to such transfer (the "Transferred Assets").

The Dividend Assets and the Transferred Assets shall, in the aggregate, consist of all the Acquired Assets. The parties agree that the Dividend Assets will constitute a percentage, based on book value, of all the Acquired Assets and the Transferred Assets will constitute all of the remainder of the Acquired Assets. The percentage of Dividend Assets will be determined by Parent immediately prior to the Closing.

1.3 Contribution of Assets. At the Closing, immediately after receipt of the Dividend Assets pursuant to Transferor's dividend referred to in Section 1.2 hereof, Parent shall transfer, convey, assign, and deliver to Transferee by way of a contribution to capital all of the Dividend Assets.

1.4 Retained Assets. Anything in Sections 1.1 through 1.3 to the contrary notwithstanding, the following assets (collectively, the "Retained Assets") shall be retained by Transferor, and neither Parent nor Transferee shall in any way be construed to have acquired (or to be obligated to acquire) any interest whatsoever in any of the following, any of which may be more particularly described on the Schedule:

(a) Designated Assets. Any of the assets, properties, rights and/or interests, owned, used, occupied or held by or for the benefit of Transferor in the operation of the Business (other than the operation of the Business at the Facilities); provided, however, that anything in this Agreement to the contrary notwithstanding, the Retained Assets shall include the Venice electric generating plant and associated electric transmission facilities;

(b) Non-Assigned Contracts. All of the rights and interests, and all of the liabilities and obligations, of Transferor in, under or pursuant to any license, lease, contract, agreement, commitment or undertaking entered into in connection with, or otherwise relating to,

the operation of the Business (other than the operation of the Business at the Facilities) (collectively, the "Non-Assigned Contracts");

(c) Employee Plan Assets. The rights of Transferor or Parent under, and any funds and property held in trust or any other funding vehicle pursuant to, any "employee benefit plan" (within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended) or any other bonus, stock option, stock appreciation, stock purchase, severance, termination, lay-off, leave of absence, disability, workers' compensation, pension, profit sharing, retirement, vacation or holiday pay, insurance, deferred compensation or other employee or welfare benefit plan, agreement or arrangement of Transferor or Parent applicable to past, present or future employees employed in connection with the Business (collectively, "Employee Plans");

(d) Corporate Records. Transferor's minute books, stock books, stock ledger and corporate seal and all other books and records relating to the Business of the Transferor;

(e) This Agreement. All of Transferor's rights, claims and interests under this Agreement and any agreement executed in connection herewith;

(f) Third Party Actions. All of Transferor's rights, claims or causes of action against third parties relating to the assets, properties, business or operations of the Business that is conducted at the Facilities to the extent such rights, claims or causes of action arise in connection with the discharge by Transferor of the Retained Liabilities (as defined in Section 2.2);

(g) Subsidiaries. The capital stock of any of Transferor's direct or indirect, wholly or partially owned, subsidiaries and their respective assets, properties and businesses;

(h) Cash and Cash Equivalents. Except for the Petty Cash, any cash or cash equivalent of, owned, or held by, Transferor;

(i) Discontinued Operations. All assets, properties, rights and interests in, under or to agreements, instruments or contracts relating to businesses, operations or assets that immediately prior to the Closing have been (i) closed, wound up or otherwise terminated or (ii) ceased to be held or used in connection with Transferor's businesses or operations, including the Business that is conducted at the Facilities; and

(j) Miscellaneous. Those other certain assets, properties, rights and interests described on the Schedule.

1.5 Assignability and Consents.

(a) Required Consents. Transferor shall deliver to Parent and Transferee or their authorized representatives, at or prior to the Closing, a list of (i) Acquired Assets, including Contracts, Permits and Lease Agreements (but excluding leases of office equipment involving future payments of less than \$500,000 in the aggregate), that are non-assignable or non-transferable or cannot be subleased to Transferee without the consent of some other individual, partnership, corporation, association, joint stock company, trust, joint venture, limited liability

company or Governmental Authority (collectively, "Person") and (ii) approvals of Governmental Authorities, including the Illinois Commerce Commission (the "ICC"), the Missouri Public Service Commission, the Federal Energy Regulatory Commission, the Securities and Exchange Commission and the Federal Communications Commission that are required for the consummation of the transactions contemplated by this Agreement. Transferor has commenced and shall continue to take, or cause to be taken by others, all necessary actions required to obtain or satisfy, at the earliest practicable date, all consents, novations, approvals, authorizations, requirements (including filing and registration requirements), waivers and agreements ("Consents") from any Persons necessary to authorize, approve or permit the full and complete conveyance, assignment, sublease or transfer of the Acquired Assets, and to consummate and make effective the transactions contemplated by this Agreement and to continue such efforts as may be required after the Closing Date to facilitate the full and expeditious transfer of legal title, or the sublease, as the case may be, of the Acquired Assets.

(b) Nonassignable Items. Anything in this Agreement to the contrary notwithstanding, this Agreement shall not constitute an Agreement to sell, convey, assign, sublease or transfer any Acquired Assets, including Contracts, Permits and Lease Agreements, if an attempted conveyance, assignment, sublease or transfer thereof, without the Consent of another party thereto or a Governmental Authority would constitute a breach of, or in any way affect the rights of Transferor or Transferee with respect to such Acquired Asset ("Nonassignable Items"). Transferor shall use its best efforts and Transferee shall cooperate in all reasonable respects with Transferor to obtain and satisfy all Consents and to resolve all impracticalities of conveyance, assignment, sublease or transfer necessary to convey to Transferee all Nonassignable Items.

ARTICLE II. LIABILITIES

2.1 Assumption of Liabilities. On the terms and subject to the conditions set forth in this Agreement, Transferee shall assume, at the Closing and effective as of the Closing Date, and shall thereafter pay, perform and discharge as and when due the following, and only the following, liabilities and obligations of Transferor (collectively, the "Assumed Liabilities"):

(a) Balance Sheet. All liabilities and obligations of Transferor as set forth on the unaudited balance sheet (the "Balance Sheet") relating to the Business that is conducted at the Facilities prepared by Transferor as of the Closing or other appropriate date determined by the parties (the "Balance Sheet Date"), including without limitation any indebtedness to be assumed by Transferee (the "Assumed Indebtedness"), less payments thereon or discharges thereof prior to the Closing Date;

(b) Trade Payables. All liabilities and obligations of Transferor relating to the Business that is conducted at the Facilities that constitute trade payables due to suppliers as payment for Inventory included in the Acquired Assets and incurred by Transferor in the ordinary and normal course of business at the Balance Sheet Date (in transactions in the ordinary and normal course) and consistent with past practice and the representations, warranties, covenants, obligations and agreements set forth in this Agreement;

(c) Contracts. All liabilities and obligations of Transferor arising under the terms of the Contracts other than contracts that constitute Non-Assigned Contracts but only to the extent such liabilities and obligations arise or accrue after the Closing Date in the ordinary and normal course and consistent with the representations, warranties, covenants, obligations and agreements set forth in this Agreement; provided, however, that Transferee shall not assume or be responsible for any such liabilities or obligations which arise from breaches thereof or defaults thereunder by Transferor, all of which liabilities and obligations shall constitute Retained Liabilities;

(d) Liabilities and Obligations. All liabilities and obligations of Transferor relating to environmental permits, variances or orders issued by local, state or federal governmental authorities that relate to the Business that is conducted at the Facilities;

(e) Litigation. All liabilities and obligations relating to any litigation, action, suit, claim, notice of violation, investigation, inquiry or proceeding (collectively "Claims") instituted hereafter, based in whole or in part on events or conditions occurring or existing in connection with, or arising out of, or otherwise relating to, the Business that is conducted at the Facilities as operated by Transferee or any of its Affiliates (as defined in Section 12.11) (or any of their respective predecessors-in-interest) after the date hereof, or the ownership, possession, use, operation, sale or other disposition after the Closing Date of any of the Acquired Assets (or any other assets, properties, rights or interests associated, at any time after the Closing Date, with the Business that is conducted at the Facilities); and

(f) Environmental Liabilities. All liabilities and obligations relating to the Business or the Acquired Assets (or any other assets, properties, rights or interests associated, at any time after the Closing Date, with the Business or the Acquired Assets), based in whole or in part on events or conditions occurring or existing after the Closing Date and connected with, arising out of or relating to Hazardous Materials, Environmental Requirements or Environmental Damages (all as defined in Section 5.1(e)), (the "Assumed Environmental Liabilities"); provided, however, that the Assumed Environmental Liabilities shall also include (i) the environmental cleanup liability at the Alton Town Gas Site that is recorded in Account 253 and (ii) any liabilities and obligations relating to the Business or the Acquired Assets (or any other assets, properties, rights or interests associated, at any time prior to the Closing Date, with the Business or the Acquired Assets), based in whole or in part on events or conditions occurring or existing prior to the Closing Date and connected with, arising out of or relating to Hazardous Materials, Environmental Requirements or Environmental Damages, if and to the extent that such liabilities and obligations are covered by Transferor's existing ICC-approved electric and gas environmental adjustment clause riders in effect immediately prior to the Closing.

(g) Accounts Payable. Accounts payable for the amount of natural gas purchased for resale but not yet paid that are recorded in Account 232.

(h) Accrued Payroll. Accrued payroll payables that are recorded in Account 232.

(i) Vacation Liability. Accrued vacation liabilities for electric and gas employees that are recorded in Account 242.

(j) Customer Liabilities. All liabilities and obligations relating to the Business or the Acquired Assets (or any other assets, properties, rights or interests associated, at any time prior to or following the Closing Date, with the Business or the Acquired Assets), based in whole or in part on events or conditions occurring or existing prior to or following the Closing Date and connected with, arising out of or relating to any disputes for services rendered or goods manufactured that are instituted or maintained by or in the right of any customer, including without limitation, product warranty Claims and product liability Claims, and Claims for refunds, returns, personal injury and property damages.

(k) Taxes. All liabilities and obligations relating to the Business or the Acquired Assets (or any other assets, properties, rights or interests associated, at any time prior to or following the Closing Date, with the Business or the Acquired Assets), whether due or becoming due and whether based on or arising out of events prior or subsequent to the Closing Date, relating to the payment of franchise fees, gross receipts or utility Taxes (as hereinafter defined) of any kind (the "Assumed Tax Liabilities").

2.2 Retained Liabilities. Except to the extent transferred to Transferee as an Assumed Liability pursuant to Section 2.1, including without limitation with respect to Assumed Environmental Liabilities, Transferor shall retain, and Transferee shall not assume, or be responsible for or liable with respect to, any liabilities or obligations of, Transferor, or otherwise relating to the Business, whether or not of, associated with, or arising from, any of the Acquired Assets, and whether fixed, contingent or otherwise, known or unknown (collectively referred to hereinafter as the "Retained Liabilities"), including, without limitation, the following:

(a) Pre-Closing. All liabilities and obligations relating to, based in whole or in part on events or conditions occurring or existing in connection with, or arising out of, the Business as operated prior to the Closing Date, or the ownership, possession, use, operation or other disposition prior to the Closing Date of any of the Acquired Assets (or any other assets, properties, rights or interests associated, at any time prior to the Closing Date, with the Business);

(b) Liabilities Relating to the Transfer of Acquired Assets. All liabilities and obligations of Transferor or any of its Affiliates except Transferee, or their respective directors, officers, shareholders or agents, arising out of, or relating to, this Agreement or the transactions contemplated hereby, whether incurred prior to, at, or subsequent to the Closing Date;

(c) Employee-Related Liabilities. All liabilities and obligations to any persons at any time employed by Transferor or its Affiliates except Transferee or their respective predecessors-in-interest in the Business or otherwise, at any time or to any such person's spouses, children, other dependents or beneficiaries, with respect to incidents, events, exposures or circumstances occurring at any time during the period or periods of any such persons' employment with Transferor or its Affiliates except Transferee or their respective predecessors-in-interest, whenever such claims mature or are asserted, including, without limitation, all liabilities and obligations arising (i) under any Employee Plans, (ii) under any employment, wage and hour restriction, equal opportunity, discrimination, plant closing or immigration and naturalization Laws (as hereinafter defined), (iii) under any collective bargaining Laws, agreements or arrangements, or (iv) in connection with any workers' compensation or any other

employee health, accident, disability or safety claims. For purposes of this Agreement, the term "Laws" shall mean any statutes, laws, rules, regulations, orders, ordinances, codes and decrees of Governmental Authorities;

(d) Litigation. All liabilities and obligations relating to any Claims pending on the date hereof, or instituted hereafter, based in whole or in part on events or conditions occurring or existing in connection with, or arising out of, or otherwise relating to, the Business as operated by Transferor or any of its Affiliates (or any of their respective predecessors-in-interest) except Transferee, or the ownership, possession, use, operation, sale or other disposition prior to the Closing Date of any of the Acquired Assets (or any other assets, properties, rights or interests associated, at any time prior to the Closing Date, with the Business);

(e) Product, Environmental and Safety Liability. All liabilities and obligations relating to the Business or the Acquired Assets (or any other assets, properties, rights or interests associated, at any time prior to the Closing Date, with the Business or the Acquired Assets), based in whole or in part on events or conditions occurring or existing prior to the Closing Date and connected with, arising out of or relating to (i) any dispute for services rendered or goods manufactured, including, without limitation, product warranty Claims and product liability Claims, and Claims for refunds, returns, personal injury and property damage, (ii) Hazardous Materials, Environmental Requirements or Environmental Damages other than liabilities or obligations that constitute Assumed Environmental Liabilities (the "Non-Assumed Environmental Liabilities"), (iii) Claims relating to employee health and safety, including Claims for injury, sickness, disease or death of any Person, or (iv) compliance with any Laws relating to any of the foregoing;

(f) Taxes. Except for the Assumed Tax Liabilities, all liabilities and obligations of Transferor or any of its Affiliates (or any of their respective predecessors-in-interest) for any Taxes due or becoming due by reason of (i) the conduct of the Business, or (ii) the ownership, possession, use, operation, purchase, acquisition, sale or disposition, of any of the Acquired Assets, including, without limitation, (i) Taxes attributable to the sale of electricity and employee withholding tax obligations; (ii) Taxes imposed on, or accruing as a result of the transfer of the Acquired Assets; and (iii) Taxes attributable to, or resulting from, recapture of depreciation, other tax benefit items, or otherwise arising from the transactions contemplated by this Agreement. For purposes of this Agreement, the term "Tax" or "Taxes" means all net income, gross income, gross receipts, sales, use, ad valorem, personal property, real property, transfer, franchise, profits, license, withholding, payroll, employment, excise, severance, stamp, occupation, premium, property or windfall profits, taxes, customs duties or other taxes, fees, assessments or charges of any kind whatsoever, including without limitation, any assessment which Transferor may have had the option to pay in installment payments over a period of time which extends beyond the Closing Date, together with any interest and any penalties, additions to tax or additional amounts imposed by any taxing authority (domestic or foreign); and

(g) Liabilities Relating to Retained Assets. All liabilities and obligations relating to, based in whole or in part on events or conditions occurring or existing in connection with, or arising out of, any and all assets, properties, rights and interests which are not being acquired by Transferee hereunder, including, without limitation, the Retained Assets.

ARTICLE III. TRANSFER AND EXCHANGE

3.1 Payment. (a) In full consideration for the transfer of the Transferred Assets, but subject to the adjustment, if any, required by Section 3.2, at the Closing, Transferee shall deliver to Transferor a subordinated promissory note in the form of Exhibit 3.1 hereto (the "Transferee Note") in an amount equal to the book value of the Transferred Assets determined as provided herein.

(b) No amount shall be paid to Parent in connection with the contribution by Parent of the Dividend Assets.

3.2 Prorations. (a) Transferor and Transferee shall prorate, as of the Closing Date, all real estate taxes payable with respect to the Real Property (but not including any current assessments against the Real Property which Transferor is required to have paid in full prior to the Closing Date as provided under Section 2.2(f) herein).

(b) Transferee and Transferor shall use their reasonable best efforts to calculate all prorations. The credit that Transferee is entitled to receive from Transferor for the unpaid portion (as of the Closing Date) of the 1999 real estate taxes shall be referred to herein as the "1999 Real Estate Tax Credit," and the credit that Transferee is entitled to receive from Transferor for the 2000 real estate taxes owed for the period during which Transferor owned the Real Property during the year 2000 shall be referred to herein as the "2000 Real Estate Tax Credit."

ARTICLE IV. CLOSING

4.1 General. As used in this Agreement, the "Closing" shall mean the time at which Transferor consummates the assignment, transfer and delivery of the Acquired Assets to Transferee and Parent and Parent consummates the assignment, transfer and delivery of the Dividend Assets to Transferee as provided herein by the execution and delivery by Transferor and Parent of the documents and instruments referred to in Sections 4.2 and 4.4 against delivery by Transferee of the documents and payments provided in Sections 3.1 and 4.3, and delivery by Transferor, Transferee and the other Persons referred to herein of the additional documents referred to in Section 4.5. In the absence of a prior termination of this Agreement by one of the parties in accordance with Article X, the Closing shall take place at the offices of the Parent, One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri at 8:00 a.m. on _____, 2000, or at such other time and place and on such other day as shall be mutually agreed upon in writing by the parties hereto (the "Closing Date"). Legal title, equitable title and risk of loss with respect to the Acquired Assets shall not pass to Transferee until the Acquired Assets are transferred at the Closing, which transfer, once it has occurred, shall be deemed effective for tax, accounting and other computational purposes as of the Closing Date.

4.2 Documents to be Delivered by Transferor. At the Closing, Transferor shall deliver to Transferee and Parent (unless otherwise agreed to by the parties):

(a) Copies of (i) the resolutions of the Boards of Directors of Transferor authorizing and approving this Agreement and all other transactions and agreements contemplated hereby, (ii) Transferor's Articles of Incorporation, and (iii) Transferor's Bylaws, all

certified by the respective corporate Secretaries or Assistant Secretaries of Transferor to be true, correct, complete and in full force and effect and unmodified as of the Closing Date;

(b) Instruments transferring the Transferred Assets to Transferee and the Dividend Assets to Parent, in each case, free and clear of any and all liens, equities, Claims, prior assignments, mortgages, charges, security interests, pledges, conditional sales contracts, collateral security arrangements and other title retention arrangements, restrictions (including, in the case of real property, rights of way, use restrictions, and other variances, reservations or limitations of any nature) or encumbrances whatsoever (collectively, "Liens");

(c) Copies of all Consents to the transfer, assignment or sublease to Transferee or Parent of each Acquired Asset that requires such Consent, including, without limitation, orders or approvals of the regulatory bodies referred to in Sections 1.5, 5.1(f) and 9.3 hereof;

(d) The Officer's Certificate (as defined in Section 6.1(e)) required by Sections 6.1(e) and 6.3(e);

(e) Special Warranty Deeds (the "Deeds") in recordable form and in form and substance satisfactory to Parent and Transferee conveying the Real Property to Transferee or Parent as the case may be, free and clear of all Liens whatsoever except for Permitted Liens (as defined in Section 5.1(c));

(f) Releases, including, without limitation, termination statements under the Uniform Commercial Code (the "UCC") of any financing statements filed against any Acquired Assets, evidencing discharge, removal and termination of all Liens to which the Acquired Assets are subject (other than Liens relating to Assumed Indebtedness) in connection with any indebtedness described to be discharged by Closing, which releases shall be effective at or prior to the Closing;

(g) A Non-Foreign Person Affidavit as required by Section 1445 of the Internal Revenue Code of 1986, as amended (a "FIRPTA Affidavit"); and

(h) Such other deeds, endorsements, assignments, affidavits and other good and sufficient instruments of assignment, conveyance and transfer in form and substance satisfactory to Transferee, as are required to effectively vest in Transferee or Parent, as the case may be, good and marketable title in and to all of the Acquired Assets, free and clear of any and all Liens other than Permitted Liens.

4.3 Documents to be Delivered by Transferee. At the Closing, Transferee shall deliver to Transferor and Parent, as applicable (unless otherwise agreed to by the parties):

(a) A copy of (i) the resolutions of the Board of Directors of Transferee authorizing and approving this Agreement and all other transactions and agreements contemplated hereby, (ii) Transferee's Articles of Incorporation, and (iii) Transferee's Bylaws, all certified by the Secretary or an Assistant Secretary of Transferee to be true, correct, complete and in full force and effect and unmodified as of the Closing Date;

(b) The Officer's Certificate required by Sections 6.2(e) and 6.3(e);

(c) The Transferee Note to Transferor, duly executed on behalf of Transferee, and in substantially the form attached hereto as Exhibit 3.1; and

(d) An instrument of assumption of the Assumed Liabilities.

4.4 Documents to be Delivered by Parent. At the Closing, Parent shall deliver to Transferee and Transferor, as applicable (unless otherwise agreed to by the parties):

(a) Copies of (i) the resolutions of the Board of Directors of Parent authorizing and approving this Agreement and all other transactions and agreements contemplated hereby, (ii) Parent's Articles of Incorporation, and (iii) Parent's Bylaws, all certified by the respective corporate Secretaries or Assistant Secretaries of Parent to be true, correct, complete and in full force and effect and unmodified as of the Closing Date;

(b) Instruments transferring the Dividend Assets to Transferee free and clear of any and all Liens;

(c) Copies of all Consents to the transfer, assignment or sublease to Transferee of each Dividend Asset that requires such Consent, including, without limitation, orders or approvals of the regulatory bodies referred to in Sections 1.5, 5.1(f) and 9.3 hereof;

(d) The Officer's Certificate required by Sections 6.1(e) and 6.2(e);

(e) Deeds in recordable form and in form and substance satisfactory to Transferee conveying the Real Property to Transferee, free and clear of all Liens whatsoever except for Permitted Liens;

(f) Releases, including, without limitation, termination statements under the UCC of any financing statements filed against any Dividend Assets, evidencing discharge, removal and termination of all Liens to which the Dividend Assets are subject (other than Liens relating to Assumed Indebtedness) in connection with any indebtedness described to be discharged by Closing, which releases shall be effective at or prior to the Closing;

(g) FIRPTA Affidavit; and

(h) Such other deeds, endorsements, assignments, affidavits, and other good and sufficient instruments of assignment, conveyance and transfer in form and substance satisfactory to Transferee, as are required to effectively vest in Transferee good and marketable title in and to all of the Dividend Assets, free and clear of any and all Liens other than Permitted Liens.

4.5 Documents to be Delivered by Transferee and Transferor. At the Closing, Transferee and Transferor shall execute and deliver:

(a) Easement Agreements from Transferee to Transferor for each Real Property conveyed by Transferor to Transferee in a form and substance satisfactory to Transferor; and

(b) An assignment of all of Transferor's right, title and interest to the Leased Property and assumption of all obligations relating to the same free and clear of all Liens whatsoever except for the Permitted Liens and otherwise in form and substance satisfactory to Transferor and Transferee.

4.6 Post Closing. (a) Within 60 days after the Closing Date, Transferor shall deliver to Transferee the Balance Sheet as of the Balance Sheet Date referred to in Section 2.1(a);

(b) Transferee shall calculate the 1999 Real Estate Tax Credit and the 2000 Real Estate Credit promptly after the relevant tax bills have been received and shall deliver such calculation to Transferor. Transferee shall be entitled to deduct an amount equal to the 1999 Real Estate Tax Credit and 2000 Real Estate Tax Credit from amounts owed to Transferor under the Transferee Note. Transferor will, at the request of Transferee, give Transferee a receipt evidencing payment on the Transferee Note equal to such credits; and

(c) Promptly upon delivery of the Balance Sheet referred to in Section 4.6(a) the principal amount of and amortization schedule of the Transferee Note shall be adjusted, to the extent necessary, to reflect the actual net depreciated book value of the Transferred Assets as of the Balance Sheet Date. The Transferee shall execute and deliver a revised Transferee Note as may be necessary to reflect any such change.

ARTICLE V. REPRESENTATIONS AND WARRANTIES

5.1 Representations and Warranties of Transferor. Subject only to those exceptions and qualifications listed and described (including an identification by section reference to the representations and warranties to which such exceptions and qualifications relate) on the Schedule, Transferor hereby represents and warrants to Transferee (it being understood that for purposes of this Article V, the portion of the Acquired Assets comprising the Dividend Assets will first be dividended to Parent and then contributed to Transferee) that:

(a) Organization and Standing; Power and Authority. Transferor is a corporation duly organized, validly existing and in good standing under the laws of the State of Missouri, and has full corporate power and authority to operate the Business, to own or lease the Acquired Assets, to carry on its Business as now being conducted, and to enter into and perform this Agreement and the transactions and other agreements and instruments contemplated by this Agreement. This Agreement and all other agreements and instruments executed and delivered or to be executed and delivered by Transferor in connection herewith (collectively, the "Transaction Documents") have been, or upon execution thereof will be, duly executed and delivered by Transferor, as the case may be. This Agreement and the transactions and other agreements and instruments contemplated hereby have been duly approved by the Board of Directors of

Transferor, and constitute the valid and binding obligations of Transferor, enforceable in accordance with their respective terms.

(b) Conflicts; Defaults. Neither the execution and delivery of this Agreement and the other agreements and instruments executed or to be executed in connection herewith by Transferor, nor the performance by Transferor of the transactions contemplated hereby or thereby, will (i) violate, conflict with, or constitute a default under, any of the terms of Transferor's Articles of Incorporation or By-Laws, or any provisions of, or result in the acceleration of any obligation under, any contract, sales commitment, license, purchase order, security agreement, mortgage, note, deed, lien, lease, agreement or instrument, including, without limitation, the Contracts, or any order, judgment or decree, relating to the Business or the Acquired Assets, or by which Transferor or the Acquired Assets are bound, (ii) result in the creation or imposition of any Liens or Claims in favor of any third Person or entity upon any of the Acquired Assets, (iii) violate any Law, statute, judgment, decree, order, rule or regulation of any Governmental Authority, (iv) constitute an event which, after notice or lapse of time or both, would result in such violation, conflict, default, acceleration, or creation or imposition of Liens or Claims, (v) constitute an event which, after notice or lapse of time or otherwise would create, or cause to be exercisable or enforceable, any option, agreement or right of any kind to purchase any of the Acquired Assets. Except as otherwise provided herein or in the Schedule, no consent, novation, approval, filing or authorization will be required to be obtained or satisfied for the continued performance by Transferee following the Closing of any contract, agreement, commitment or undertaking included in the Acquired Assets. Transferor is not in violation of or in default under its Articles of Incorporation or Bylaws, or any provision of any contract, sales commitment, license, purchase order, security agreement, mortgage, note, deed, lien, lease, agreement or instrument, including without limitation, the Contracts, or any order, judgment or decree, relating to the Business or the Acquired Assets, or by which Transferor or the Acquired Assets is bound, or in the payment of any of Transferor's monetary obligations or debts relating to the Business, and there exists no condition or event which, after notice or lapse of time or both, would result in any such violation or default.

(c) Acquired Assets; Title to the Acquired Assets. Except for the Retained Assets, the Acquired Assets are the only assets, properties, rights and interests used by Transferor in connection with the Business that is conducted at the Facilities. The Acquired Assets to be conveyed to Transferee under this Agreement constitute all of the assets, properties, rights and interests necessary to conduct the Business at the Facilities in substantially the same manner as conducted by Transferor prior to the date of this Agreement. Transferor has good, marketable and exclusive title to, and the valid and enforceable power and unqualified right to use and transfer to Transferee, each of the Acquired Assets, and the Acquired Assets are free and clear of all Liens and Claims of any kind or nature whatsoever, except for Permitted Liens. The consummation of the transactions contemplated by this Agreement (including, without limitation, the transfer or assignment of the Acquired Assets, and all rights and interests therein, to Transferee as contemplated herein) will not adversely affect such title or rights, or any terms of the applicable agreements (whether written or oral) evidencing, creating or granting such title or rights. None of the Acquired Assets are subject to, or held under, any lease, mortgage, security agreement, conditional sales contract or other title retention agreement, or are other than in the sole possession and under the sole control of Transferor except as otherwise provided herein. Transferor has the right under valid and existing leases to occupy, use or control all

properties and assets leased by it and included in the Acquired Assets. The delivery to Transferee of the instruments of transfer of ownership contemplated by this Agreement will vest good, marketable and exclusive title (as to all Acquired Assets owned by Transferor) or full right to possess and use (as to all Acquired Assets not owned by Transferor) to the Acquired Assets in Transferee, free and clear of all Liens and Claims of any kind or nature whatsoever, except for (i) current real estate Taxes or governmental charges or levies which are a Lien but not yet due and payable, (ii) Liens disclosed as securing specified liabilities on the Balance Sheet with respect to which no default exists, (iii) Liens otherwise disclosed herein or in the Schedule and (iv) minor imperfections of title, if any, none of which are substantial in amount, or materially detract from the value or impair the use of the property subject thereto or the operation of the Business at the Facilities and which have arisen only in the ordinary and normal course of business consistent with past practice (the Liens described in clauses (i), (ii), (iii) and (iv) being collectively referred to herein as "Permitted Liens").

(d) Contracts. Transferor has delivered to Transferee or its authorized representatives a complete list or description of each material Contract.

(e) Environmental and Safety Compliance.

(i) General. Transferee agrees that, except as expressly contained in this Agreement, no representations by or on behalf of Transferor have been made as to the condition of the Property and Fixed Assets, any restrictions related to the development of the Property and Fixed Assets, the applicability of any governmental requirements pertaining to the Property and Fixed Assets, or the suitability of the Property and Fixed Assets for any purpose whatsoever. Transferor agrees to assign, transfer or otherwise convey all environmental permits and licenses to Transferee and to take all necessary steps with the appropriate governmental authorities to effectuate such transfers. Transferor has delivered to Transferee list of all applicable permits that are used in the operation of the Business at the Facilities.

(ii) Definitions.

(A) For purposes of this Agreement, the term "Hazardous Material" means any substance:

- (1) the presence of which requires investigation or remediation under any federal, state or local statute, regulation, ordinance, order, action, policy or common law; or
- (2) which is or has been identified as a potential "hazardous waste," "hazardous substance," pollutant or contaminant under any federal, applicable state or local statute, regulation, rule or ordinance or amendments thereto including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. §§ 9601 et seq.) and/or the Resource Conservation and Recovery Act (42 U.S.C. §§ 6901 et seq.); or

- (3) which is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic, reactive, or otherwise hazardous and has been identified as regulated by any Governmental Authority.
- (B) For purposes of this Agreement, the term "Environmental Requirements" means all applicable Laws, Permits and similar items of all Governmental Authorities and all applicable judicial, administrative, and regulatory judgments, decrees, orders, writs or injunctions relating to the protection of human health or the environment, including, without limitation:
 - (1) All requirements pertaining to reporting, licensing, permitting, investigation, and remediation of emissions, discharges, releases, or threatened releases of Hazardous Materials;
 - (2) All requirements pertaining to the protection of the health and safety of employees or the public; and
 - (3) All other limitations, restrictions, conditions, standards, prohibitions, obligations, schedules and timetables contained therein or in any notice or demand letter issued, entered, promulgated or approved thereunder.
- (C) For purposes of this Agreement, the term "Environmental Damages" means any and all Liabilities (as defined in Section 11.1) which are incurred at any time as a result of the existence prior to Closing of Hazardous Material upon, about, beneath the Property or migrating or threatening to migrate to or from the Property, or the existence of a violation of Environmental Requirements pertaining to the Property, regardless of whether the existence of such Hazardous Material or the violation of Environmental Requirements arose prior to the present ownership or operation of the Property, and including without limitation:
 - (1) Damages for personal injury, or injury to property or natural resources occurring upon or off of the Property, foreseeable or unforeseeable, including, without limitation, lost profits, consequential damages, the cost of demolition and rebuilding of any improvements on real property, interest and penalties;
 - (2) Fees incurred for the services of attorneys, consultants, contractors, experts, laboratories and all other costs incurred in connection with the investigation or remediation of such Hazardous Materials or violation of Environmental Requirements including, but not limited to, the preparation of any feasibility studies or reports or the performance of any cleanup, remediation, removal, response, abatement, containment, closure, restoration or monitoring work required by any Governmental Authority, or reasonably necessary

to make full economic use of the Property or any other property in a manner consistent with its intended use or otherwise expended in connection with such conditions, and including without limitation any attorneys' fees, costs and expenses incurred in enforcing this Agreement or collecting any sums due hereunder;

- (3) Liability to any third Person or Governmental Authority to indemnify such Person or Governmental Authority for costs expended in connection with the items referenced in of Section 11.2(b); and
- (4) Diminution of the value of the Property, and damages for the loss of business and restriction on the use of or adverse impact on the marketing of rentable or usable space or of any amenity of the Property.

(f) Approvals. Transferor has delivered to Transferee or its authorized representatives a list of all Consents that must be obtained or satisfied by Transferor for the consummation of the transactions contemplated by this Agreement, including, without limitation, all Consents that must be obtained pursuant to Section 1.5(a). All Consents prescribed by any Law, or any contract, agreement, commitment or undertaking, and which must be obtained or satisfied by Transferor for the consummation of the transactions contemplated by this Agreement, or for the continued performance by them of their rights and obligations thereunder, have been, or shall by the Closing have been, made, obtained and satisfied.

(g) Real Property. Transferor has delivered to Transferee or its authorized representatives a true, correct and complete list of all instruments and agreements creating any interest or right in real property relating to the Business that is conducted at the Facilities (including all easements, buildings, structures, fixtures and improvements). True, correct and complete copies of the instruments and agreements identified in such list have been delivered to Transferee or its authorized representatives. Each such instrument and agreement is in full force and effect and is a legal, binding and enforceable obligation of the parties thereto and no event has occurred which constitutes or, with the giving of notice or passage of time, or both, would constitute a default or breach thereunder. Transferor has the right to quiet enjoyment of all real property subject to Lease Agreements under any such instruments, for the full term of each such Lease Agreement and any renewal option related thereto. There has been no disturbance of or challenge to the Transferor's quiet possession under each such Lease Agreement, and no leasehold or other interest of Transferor in such real property is subject to or subordinate to any Liens except Permitted Liens. Neither the whole nor any portion of any real property leased or occupied by Transferor has been condemned, requisitioned or otherwise taken by any Governmental Authority, and, to the best of Transferor's knowledge, no such condemnation, requisition or taking is threatened or contemplated. All buildings, structures, fixtures and appurtenances comprising part of the Real Properties of Transferor are in good condition and have been well maintained, normal wear and tear excepted, and there are no material physical or mechanical defects of the Real Property which would interfere with the ongoing operations of the Business as currently conducted at the Facilities. All water, sewer, gas and drainage facilities required by the present use and operation of the Real Property by Transferor are installed to the

property lines of the Real Property, are all connected and operating pursuant to valid permits, and are adequate to service the Real Property in accordance with the present use and operation of the Real Property by Transferor. The Real Property complies with all applicable Laws and insurance requirements and all zoning, building and other requirements relating to the use or occupancy of all or any portion of the Real Property. There are no pending, or to the best of Transferor's knowledge, contemplated zoning changes, variances or special zoning agreements affecting or which might affect the Real Property.

(h) Lease Agreements. Each of the Lease Agreements described in Section 1.1(d) has not been modified, altered, terminated or revoked, and is in full force and effect. Transferor, as the present tenant under each Lease Agreement, is not in default under, or in breach of, any of the terms of each Lease Agreement, and there are no existing facts or conditions which could give rise to any such breach or default, or any claim against Transferor, under each Lease Agreement. Each of the present lessors under each respective Lease Agreement is not in default thereunder, or in breach thereof, and there are no existing facts or conditions which could give rise to any such breach or default, or any claim against each lessor under each respective Lease Agreement.

5.2 Representations and Warranties of Transferee. Transferee represents and warrants to Transferor and Parent that:

(a) Organization and Standing; Corporate Power and Authority. Transferee is a corporation duly organized, validly existing and in good standing under the laws of the State of Illinois, and has full corporate power and authority to make and perform this Agreement, and to perform the transactions contemplated by this Agreement. This Agreement and all other agreements and instruments executed and delivered by Transferee in connection herewith have been duly executed and delivered by Transferee. This Agreement and the transactions and the Transaction Documents have been duly approved by the Board of Directors of Transferee (approval of Transferee's shareholders not being required), and constitute the valid and binding obligations of Transferee, enforceable in accordance with their respective terms.

(b) Conflicts; Defaults. Neither the execution and delivery of this Agreement by Transferee, nor the performance of its obligations hereunder, will conflict with or constitute a default under any of the terms of Transferee's Articles of Incorporation, as amended, or Bylaws.

5.3 Representations and Warranties of Parent. Subject only to those exceptions and qualifications listed and described (including an identification by section reference to the representations and warranties to which such exceptions and qualifications relate) on the Schedule, Parent hereby represents and warrants to Transferee (it being understood that for purposes of this Article V, the portion of the Acquired Assets comprising the Dividend Assets will first be divided to Parent and then contributed to Transferee) that:

(a) Organization and Standing; Power and Authority. Parent is a corporation duly organized, validly existing and in good standing under the laws of the State of Missouri, and has full corporate power and authority to carry on its business as now being conducted, and to enter into and perform this Agreement and the transactions and other agreements and instruments contemplated by this Agreement. This Agreement and all other agreements and instruments

executed and delivered or to be executed and delivered by Parent in connection herewith have been, or upon execution thereof will be, duly executed and delivered by Parent, as the case may be. This Agreement and the transactions and other agreements and instruments contemplated hereby have been duly approved by the Board of Directors of Parent, and constitute the valid and binding obligations of Parent, enforceable in accordance with their respective terms.

(b) Conflicts; Defaults. Neither the execution and delivery of this Agreement and the other agreements and instruments executed or to be executed in connection herewith by Parent, nor the performance by Parent of the transactions contemplated hereby or thereby, will (i) violate, conflict with, or constitute a default under, any of the terms of Parent's Articles of Incorporation or By-Laws, or any provisions of, or result in the acceleration of any obligation under, any contract, sales commitment, license, purchase order, security agreement, mortgage, note, deed, lien, lease, agreement or instrument, including, without limitation, the Contracts, or any order, judgment or decree, relating to the Business or the Acquired Assets, or by which Parent or the Dividend Assets are bound, (ii) result in the creation or imposition of any Liens or Claims in favor of any third Person or entity upon any of the Dividend Assets, (iii) violate any Law, statute, judgment, decree, order, rule or regulation of any Governmental Authority, (iv) constitute an event which, after notice or lapse of time or both, would result in such violation, conflict, default, acceleration, or creation or imposition of Liens or Claims, (v) constitute an event which, after notice or lapse of time or otherwise would create, or cause to be exercisable or enforceable, any option, agreement or right of any kind to purchase any of the Dividend Assets. Except as otherwise provided herein or in the Schedule, no consent, novation, approval, filing or authorization will be required to be obtained or satisfied for the continued performance by Transferee following the Closing of any contract, agreement, commitment or undertaking included in the Dividend Assets.

(c) Dividend Assets; Title to the Dividend Assets. Parent will immediately transfer to Transferee all Dividend Assets received by Parent from Transferor. The consummation of the transactions contemplated by this Agreement (including, without limitation, the transfer or assignment of the Dividend Assets, and all rights and interests therein, to Transferee as contemplated herein) will not adversely affect such title or rights, or any terms of the applicable agreements (whether written or oral) evidencing, creating or granting such title or rights. The delivery to Transferee of the instruments of transfer of ownership contemplated by this Agreement will vest good, marketable and exclusive title (as to all Dividend Assets owned by Parent) or full right to possess and use (as to all Dividend Assets not owned by Parent) to the Dividend Assets in Transferee, free and clear of all Liens and Claims of any kind or nature whatsoever, except for Permitted Liens.

(d) Approvals. Parent has delivered to Transferee or its authorized representatives a list of all Consents that must be obtained or satisfied by Parent for the consummation of the transactions contemplated by this Agreement, including, without limitation, all Consents that must be obtained pursuant to Section 1.5(a). All Consents prescribed by any Law, or any contract, agreement, commitment or undertaking, and which must be obtained or satisfied by Parent for the consummation of the transactions contemplated by this Agreement, or for the continued performance by them of their rights and obligations thereunder, have been, or shall by the Closing have been, made, obtained and satisfied.

ARTICLE VI. CONDITIONS TO CLOSING

6.1 Conditions to Transferee's Obligations. The obligation of Transferee to consummate the transactions provided for by this Agreement is subject to the satisfaction, on or prior to the Closing Date, of each of the following conditions, any of which may be waived by Transferee except for the conditions set forth in subsection (c) (as to Consents of Governmental Authorities) of this Section 6.1:

(a) Representations and Warranties. Each of the representations and warranties of Transferor and Parent made in Section 5.1 and Section 5.3, respectively, of this Agreement shall be true and correct in all material respects both on the date hereof and as of the Closing Date as though made at such time.

(b) Covenants. Each of Transferor and Parent shall have performed and complied with all covenants and agreements required to be performed or complied with by it at or prior to the Closing Date.

(c) Consents. All Consents of Governmental Authorities and third parties described in Sections 1.5, 5.1(f) and 9.3 and necessary to consummate the transactions contemplated hereunder shall have been obtained and satisfied.

(d) No Proceeding or Litigation. No litigation, action, suit, investigation, Claim or proceeding challenging the legality of, or seeking to restrain, prohibit or materially modify, the transactions provided for in this Agreement shall have been instituted and not settled or otherwise terminated.

(e) Certificate of Transferor and Parent. At the Closing, each of Transferor and Parent shall have delivered to Transferee a certificate (the "Officer's Certificate") signed by that party's President or a Vice President, and dated the Closing Date, to the effect that to the best of the knowledge of such officer the conditions specified in Sections 6.1(a), (b), (c) and (d) have been fulfilled.

(f) Certificate Documents. Transferor, Parent and the other Persons shall have delivered the certificates and other documents required by Sections 4.2, 4.4 and 4.5.

6.2 Conditions to Transferor's Obligations. The obligations of Transferor to consummate the transactions provided for by this Agreement are subject to the satisfaction, on or prior to the Closing Date, of each of the following conditions, any of which may be waived by Transferor except for the conditions set forth in subsection (c) of this Section 6.2:

(a) Representations and Warranties. Each of the representations and warranties of Transferee and Parent made in Section 5.2 and Section 5.3, respectively, of this Agreement shall be true and correct in all material respects both on the date hereof and as of the Closing Date as though made at such time.

(b) Covenants. Transferee and Parent shall have performed and complied with all covenants and agreements required to be performed or complied with by it at or prior to the Closing Date.

(c) Consents. All Consents of Governmental Authorities, including those described in Section 1.5, 5.1(f) and 9.3, necessary to consummate the transactions contemplated hereunder shall have been obtained.

(d) No Proceeding or Litigation. No litigation, action, suit, investigation, Claim or proceeding challenging the legality of, or seeking to restrain, prohibit or materially modify, the transactions provided for in this Agreement shall have been instituted and not settled or otherwise terminated.

(e) Certificate of Transferee and Parent. At the Closing, each of Parent and Transferee shall have delivered to Transferor an Officer's Certificate signed by the President or a Vice President of such party, and dated the Closing Date, to the effect that to the best of the knowledge of such officer the conditions specified in Sections 6.2(a), (b), (c) and (d) have been fulfilled.

(f) Certificates; Documents. Transferee, Parent and the other Persons shall have delivered the certificates and other documents required by Sections 4.3, 4.4 and 4.5.

6.3 Conditions to Parent's Obligations. The obligations of Parent to consummate the transactions provided for by this Agreement are subject to the satisfaction, on or prior to the Closing Date, of each of the following conditions, any of which may be waived by Parent except for the conditions set forth in subsection (c) of this Section 6.3:

(a) Representations and Warranties. Each of the representations and warranties of Transferor and Transferee made in Section 5.1 and Section 5.2, respectively, of this Agreement shall be true and correct in all material respects both on the date hereof and as of the Closing Date as though made at such time.

(b) Covenants. Transferee and Transferor shall have performed and complied with all covenants and agreements required to be performed or complied with by it at or prior to the Closing Date.

(c) Consents. All Consents of Governmental Authorities, including those described in Sections 1.5, 5.1(f) and 9.3, necessary to consummate the transactions contemplated hereunder shall have been obtained.

(d) No Proceeding or Litigation. No litigation, action, suit, investigation, Claim or proceeding challenging the legality of, or seeking to restrain, prohibit or materially modify, the transactions provided for in this Agreement shall have been instituted and not settled or otherwise terminated.

(e) Certificate of Transferee and Transferor. At the Closing, each of Transferor and Transferee shall have delivered to Parent an Officer's Certificate signed by the President or a Vice President of such party, and dated the Closing Date, to the effect that to the best of the knowledge of such officer the conditions specified in Section 6.3(a), (b), (c) and (d) have been fulfilled.

(f) Certificates, Documents. Transferee, Transferor and the other Persons shall have delivered the certificates and other documents required by Sections 4.2, 4.3 and 4.5.

ARTICLE VII. COVENANTS OF TRANSFEROR

7.1 Conduct of Business. During the period from the date hereof through the Closing Date, Transferor shall conduct the Business at the Facilities and operate the Acquired Assets diligently and in the ordinary and normal course and consistent with past practice (including, without limitation, using its best efforts to preserve beneficial relationships between Transferor and its distributors, agents, lessors, suppliers and customers) and continue normal maintenance, marketing, advertising, distributional and promotional expenditures in connection with the Business that is conducted at the Facilities. Transferor shall engage in no transactions in connection with the Business that is conducted at the Facilities or the Acquired Assets, including transactions relating to the purchase or sale of goods, raw materials, inventories or other operating or production items, intracorporate or otherwise, with any of its Affiliates from the date hereof until the Closing other than (a) transactions approved by Transferee; or (b) transactions on terms no more favorable to Transferor or its Affiliates than would have been obtainable in arm's-length dealing.

ARTICLE VIII. COVENANTS OF TRANSFEE

8.1 Maintenance of, and Access to, Records. From and after the Closing, Transferee shall, whenever reasonably requested by Transferor, permit Transferor to have access to such Business Records turned over to Transferee pursuant to this Agreement as may be required by Transferor in connection with any audit or investigation by any Governmental Authority, or any matter relating to insurance coverage or third party Claims, in each such case to the extent relating to the operation of the Business at the Facilities by Transferor prior to the Closing. Transferee shall preserve and maintain the records relating to the Business that is conducted at the Facilities which are part of the Acquired Assets for at least three years after the Closing Date.

8.2 Closing. Each of Transferee and Transferor and Parent, as applicable, shall use its best efforts to cause the conditions set forth in Sections 6.1, 6.2 and 6.3 to be satisfied by the Closing Date.

ARTICLE IX. CERTAIN ADDITIONAL COVENANTS

9.1 Expenses; Transfer Taxes. Each party hereto will bear the legal, accounting and other expenses incurred by such party in connection with the negotiation, preparation and execution of this Agreement, the Transaction Documents, and the transactions contemplated hereby. All sales, transfer, recordation and documentary Taxes and fees which may be payable in connection with the transactions contemplated by this Agreement shall be borne by Transferor.

9.2 Bulk Transfer Laws. Transferee hereby waives compliance by Transferor with the laws of any jurisdiction relating to bulk transfers which may be applicable in connection with the transfer of the Acquired Assets to Transferee.

9.3 Regulatory Approvals. Transferor will, and will cause its appropriate Affiliates to, and Transferee will, use, in each case, its best efforts to obtain any authorizations, consents, orders and approvals of any Governmental Authority necessary for the performance of its respective obligations pursuant to this Agreement and any of the other Transaction Documents,

and the consummation of the transactions contemplated hereby and thereby, and will cooperate fully with each other in all reasonable respects in promptly seeking to obtain such authorizations, consents, orders and approvals.

9.4 Employee Matters. Transferor shall retain all liabilities and obligations in respect of its past, present and future employees under the Employee Plans and applicable Laws.

ARTICLE X. TERMINATION

10.1 Termination. This Agreement and the transactions contemplated hereby may be terminated at any time prior to the Closing (any such date upon which this Agreement is terminated pursuant to this Article X shall be referred to herein as the "Termination Date"):

(a) Mutual Consent. By mutual written consent of Parent, Transferor and Transferee;

(b) Court Order. By Transferor, Transferee or Parent if consummation of the transactions contemplated hereby shall violate any non-appealable final order, decree or judgment of any court or Governmental Authority having competent jurisdiction;

(c) Transferee's Conditions. By Transferee, if any condition precedent to Transferee's obligation to effect the Closing as set forth in Section 6.1 is not satisfied, or shall have become incapable of fulfillment, and such condition is not waived, if waivable, by Transferee on or prior to the Termination Date; and

(d) Transferor's Conditions. By Transferor, if any condition precedent to Transferor's obligation to effect the Closing as set forth in Section 6.2 is not satisfied, or shall have become incapable of fulfillment, and such condition is not waived, if waivable, by Transferor on or prior to the Termination Date.

(e) Parent's Conditions. By Parent, if any condition precedent to Parent's obligation to effect the Closing as set forth in Section 6.3 is not satisfied, or shall have become incapable of fulfillment, and such condition is not waived, if waivable, by Parent on or prior to the Termination Date.

10.2 Effect of Termination. If this Agreement is terminated pursuant to Section 10.1, written notice thereof shall forthwith be given to the other party and this Agreement shall thereafter become void and have no further force and effect and all further obligations of Transferor and Transferee under this Agreement shall terminate without further liability of Transferor or Transferee.

ARTICLE XI. INDEMNIFICATION

11.1 Indemnification by Transferee.

(a) General. From and after the Closing, Transferee shall indemnify, defend and hold each of Transferor and Parent, their respective Affiliates, and their respective directors, officers, representatives, employees and agents, as the case may be, harmless from and against

any and all claims, actions, suits, demands, assessments, judgments, losses, liabilities, damages, costs and expenses (including, without limitation, interest, penalties, attorneys' fees to the extent permitted by law, and accounting fees and investigation costs) (collectively, "Liabilities") that may be incurred by Transferor or Parent, as the case may be, resulting or arising from or related to, or incurred in connection with: (a) the failure of Transferee to assume, pay, perform and discharge the Assumed Liabilities, and (b) any breach of any representation, warranty, covenant, obligation or agreement of Transferee contained herein or in any other Transaction Document.

(b) Environmental Indemnification. Transferee agrees to indemnify, defend, reimburse and hold harmless Transferor and Parent, their respective Affiliates and their respective directors, officers, representatives, employees and agents, as the case may be, from and against any and all Assumed Environmental Liabilities. This obligation to indemnify shall include, but not be limited to, the expense of defending all Claims, suits and administrative proceedings (with counsel reasonably approved by the indemnified parties), even if such Claims, suits or proceedings are groundless, false or fraudulent, and paying and discharging, when and as the same become due, any and all judgments, penalties or other sums due against such indemnified Persons; provided, however, that Transferee will be entitled to control any clean-up or remediation, and any related proceeding, and, except as provided in the following sentence, any other proceeding with respect to which indemnity may be sought under this Section. The procedures described in Section 11.3 shall apply to any Claim solely for monetary damages relating to a matter covered by this Section.

11.2 Indemnification by Transferor.

(a) General. From and after the Closing, Transferor shall indemnify, defend and hold Transferee and Parent, their respective Affiliates, and their respective directors, officers, representatives, employees and agents, as the case may be, harmless from and against any and all Liabilities that may be incurred by Transferee or Parent, as the case may be, resulting or arising from, related to or incurred in connection with: (i) the failure of Transferor to assume, pay, perform and discharge the Retained Liabilities and (ii) any breach of any representation, warranty, covenant, obligation or agreement of Transferor contained herein or in any other Transaction Document.

(b) Environmental Indemnification. Transferor agrees to indemnify, defend, reimburse and hold harmless Transferee and Parent, their respective Affiliates and their respective directors, officers, representatives, employees and agents, as the case may be, from and against any and all Non-Assumed Environmental Liabilities. This obligation to indemnify shall include, but not be limited to, the expense of defending all Claims, suits and administrative proceedings (with counsel reasonably approved by the indemnified parties), even if such Claims, suits or proceedings are groundless, false or fraudulent, and paying and discharging, when and as the same become due, any and all judgments, penalties or other sums due against such indemnified Persons; provided, however, that Transferor will be entitled to control any clean-up or remediation, and any related proceeding, and, except as provided in the following sentence, any other proceeding with respect to which indemnity may be sought under this Section. The procedures described in Section 11.3 shall apply to any Claim solely for monetary damages relating to a matter covered by this Section.

11.3 Notice of Claim, Right to Participate in and Defend Third Party Claim.

(a) If any indemnified party receives notice of the assertion of any Claim, the commencement of any suit, action or proceeding, or the imposition of any penalty or assessment by a third party in respect of which indemnity may be sought hereunder (a "Third Party Claim"), and the indemnified party intends to seek indemnity hereunder, then the indemnified party shall promptly provide the indemnifying party with prompt written notice of the Third Party Claim, but in any event not later than 30 calendar days after receipt of such notice of Third Party Claim. The failure by an indemnified party to notify an indemnifying party of a Third Party Claim shall not relieve the indemnifying party of any indemnification responsibility under this Article XI, unless such failure materially prejudices the ability of the indemnifying party to defend such Third Party Claim.

(b) The indemnifying party shall have the right to control the defense, compromise or settlement of the Third Party Claim with its own counsel (reasonably satisfactory to the indemnified party) if the indemnifying party delivers written notice to the indemnified party within seven days following the indemnifying party's receipt of notice of the Third Party Claim from the indemnified party acknowledging its obligations to indemnify the indemnified party with respect to such Third Party Claim in accordance with this Article XI, and establishes security in form and substance reasonably satisfactory to the indemnified party to secure the indemnifying party's obligations under this Article XI with respect to such Third Party Claim; provided, however, that the indemnifying party shall not enter into any settlement of any Third Party Claim which would impose or create any obligation or any financial or other liability on the part of the indemnified party if such liability or obligation (i) requires more than the payment of a liquidated sum, or (ii) is not covered by the indemnification provided to the indemnified party hereunder. In its defense, compromise or settlement of any Third Party Claim, the indemnifying party shall timely provide the indemnified party with such information with respect to such defense, compromise or settlement as the indemnified party shall request, and shall not assume any position or take any action that would impose an obligation of any kind on, or restrict the actions of, the indemnified party. The indemnified party shall be entitled (at the indemnified party's expense) to participate in the defense by the indemnifying party of any Third Party Claim with its own counsel.

(c) In the event that the indemnifying party does not undertake the defense, compromise or settlement of a Third Party Claim in accordance with subsection (b) of this Section 11.3, the indemnified party shall have the right to control the defense or settlement of such Third Party Claim with counsel of its choosing; provided, however, that the indemnified party shall not settle or compromise any Third Party Claim without the indemnifying party's prior written consent, unless (i) the terms of such settlement or compromise release the indemnified party or the indemnifying party from any and all liability with respect to the Third Party Claim, or (ii) the indemnifying party shall not have acknowledged its obligations to indemnify the indemnified party with respect to such Third Party Claim in accordance with this Article XI and established security in form and substance reasonably satisfactory to the indemnified party to secure the indemnifying party's obligations under this Article XI with respect to such Third Party Claim. The indemnifying party shall be entitled (at the indemnifying party's expense) to participate in the defense of any Third Party Claim with its own counsel.

(d) Any indemnifiable Claim hereunder that is not a Third Party Claim shall be asserted by the indemnified party by promptly delivering notice thereof to the indemnifying party. If the indemnifying party does not respond to such notice within 60 days after its receipt, it shall have no further right to contest the validity of such Claim.

11.4 Time Limitations on Claims for Indemnification. The right of Transferee, Transferor or Parent to indemnification for any breach of any representation or warranty shall apply only to those claims for indemnification which are given pursuant to this Agreement on or before the date which is five years following the Closing Date.

ARTICLE XII. MISCELLANEOUS

12.1 Amendments. This Agreement may be amended only by a writing executed by each of the parties hereto.

12.2 Entire Agreement. This Agreement and the other agreements expressly provided for herein, set forth the entire understanding of the parties hereto with respect to the subject matter hereof, and supersede all prior contracts, agreements, arrangements, communications, discussions, representations and warranties, whether oral or written, between the parties.

12.3 Governing Law. This Agreement shall in all respects be governed by and construed in accordance with the laws of the State of Illinois, without regard to its conflicts of law doctrine.

12.4 Notices. Any notice, request or other communication required or permitted hereunder shall be in writing and shall be deemed to have been duly given (a) when received if personally delivered, (b) within 5 days after being sent by registered or certified mail, return receipt requested, postage prepaid, (c) within 12 hours after being sent by telecopy, with confirmed answerback, or (d) within 1 business day of being sent by priority delivery by established overnight courier, in each case to the address set forth below.

If to Transferor, at:

Union Electric Company
1901 Chouteau Avenue
St. Louis, Missouri 63103
Attention: Vice President

If to Transferee, at:

Central Illinois Public Service Company
607 East Adams Street
Springfield, Illinois 62739
Attention: Vice President

If to Parent, at:

Ameren Corporation

1901 Chouteau Avenue
St. Louis, Missouri 63103
Attention: President

Any party by written notice to the other given in accordance with this Section 12.4 may change the address or the contact to whom notices or copies thereof shall be directed.

12.5 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together will constitute one and the same instrument.

12.6 Assignment. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of each party hereto, but no rights, obligations or liabilities hereunder shall be assignable by either party without the prior written consent of the other party.

12.7 Waivers. Except as otherwise provided herein, Parent, Transferee or Transferor (acting on behalf of itself and its appropriate Affiliates), may waive in writing compliance by any of the other party hereto (to the extent such compliance is for the benefit of the party giving such waiver) with any of the terms, covenants or conditions contained in this Agreement or in any of the other Transaction Documents (except such as may be imposed by law). Any waiver by either party of any violation of, breach of, or default under, any provision of this Agreement or any of the other Transaction Documents, by the other party shall not be construed as, or constitute, a continuing waiver of such provision, or waiver of any other violation of, breach of or default under any other provision of this Agreement or any of the other Transaction Documents.

12.8 Third Parties. Nothing expressed or implied in this Agreement is intended, or shall be construed, to confer upon or give any Person or entity other than Parent, Transferee and Transferor any rights or remedies under or by reason of this Agreement.

12.9 Schedules, Addenda and Exhibits. The Schedule, Addenda and Exhibits attached to this Agreement are incorporated herein and shall be part of this Agreement for all purposes.

12.10 Headings. The headings in this Agreement are solely for convenience of reference and shall not be given any effect in the construction or interpretation of this Agreement.

12.11 Certain Definitions. For purposes of this Agreement, (a) the term "Affiliate" shall mean any Person that directly, or indirectly through one or more Persons, controls, is controlled by, or is under common control with, the Person specified or, directly or indirectly, is related to or otherwise associated with any such Person or entity and (b) references to an "Account" that are followed by a three-digit number shall mean Transferor's accounting entries identified by the applicable number.

12.12 Remedies Not Exclusive. No remedy conferred by any of the specific provisions of this Agreement is intended to be exclusive of any other remedy and each remedy shall be cumulative and shall be in addition to every other remedy given hereunder or hereafter existing at law or in equity or by statute or otherwise. No remedy shall be deemed to be a limitation on the amount or measure of damages resulting from any breach of this Agreement. The election of

any one or more remedies shall not constitute a waiver of the right to pursue other available remedies.

12.13 Gender and Number. The masculine, feminine or neuter gender and the singular or plural number shall each be deemed to include the others whenever the context so indicates.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have caused their duly authorized representatives to execute this Agreement as of the date first above written.

UNION ELECTRIC COMPANY d/b/a
AMEREN UE, a Missouri corporation

By: _____
Print Name:
Title:

**CENTRAL ILLINOIS PUBLIC SERVICE
COMPANY** d/b/a AMEREN CIPS, an Illinois
corporation

By: _____
Print Name:
Title:

AMEREN CORPORATION, a Missouri
corporation

By: _____
Print Name:
Title:

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PRELIMINARY LISTING OF ELECTRIC ASSETS AND LIABILITIES BEING
TRANSFERRED FROM UNION ELECTRIC COMPANY TO CENTRAL ILLINOIS
PUBLIC SERVICE COMPANY

Union Electric Company (AmerenUE) is transferring Illinois electric service territory to Central Illinois Public Service Company.

1. All real and personal property located in the State of Illinois owned by AmerenUE (including plant in service and construction work in progress) used in the transmission and distribution of electricity. Excluded from the transfer are the Venice-St. Louis submarine cables and certain equipment located at the Venice Plant Switchyard assigned to production, mainly the Generator Step-up transformers. All production facilities at the Venice Plant and Keokuk Plant flowage land are excluded. The cost of these assets are recorded in Accounts 101, and 107 of the Uniform System of Accounts and the related accumulated provision for depreciation and amortization are recorded in Accounts 108, and 111.
2. All non-utility real property located in the State of Illinois, excluding real and personal property located at the Venice Power Plant site. The cost of these assets are recorded in Account 121 of the Uniform System of Accounts. There is no related accumulated provision for depreciation and amortization.
3. Working funds recorded in Account 135, consisting of petty cash maintained at the East. St. Louis office.
4. Accounts Receivable of Illinois electric customers recorded in Account 142.
5. The provision for uncollectible accounts associated with accounts receivable being transferred to AmerenCIPS (paragraph 4 above).
6. Plant materials and operating supplies located at the Alton Storeroom and truck stock recorded in Account 154.
7. An allocation of undistributed stores expense recorded in Account 163, associated with the plant materials and operating supplies being transferred to AmerenCIPS. The allocation was based on the proportionate share of activity expensed in the first eight months of 2000.
8. Accrued Illinois electric revenues for service not billed at the time of transfer recorded in Account 173.
9. AFUDC temporary differences due to FAS 109 recorded in Account 182.
10. Amounts collected for environmental cleanup recorded in Account 186.

Schedule 2

11. Accumulated deferred income taxes recorded in Account 190, for the income taxes related to unamortized Investment Tax Credit being transferred to AmerenCIPS.
12. Accrued payroll payable recorded in Account 232.
13. Customer deposits related to Illinois electric customers recorded in Account 235.
14. Accrued vacation liability for electric employees recorded in Account 242.
15. Customer Advances recorded in Account 252.
16. Unamortized investment credit and Federal excess taxes - depreciation both recorded in Account 254.
17. Unamortized Deferred Investment Tax Credits recorded in Account 255, related to the plant assets being transferred to AmerenCIPS.
18. Accumulated Deferred Income Taxes recorded in Account 282 related to the plant being transferred to AmerenCIPS.

The following appendices provide more detailed listings of the assets identified above:

Appendix 1 lists the asset and liability accounts being transferred to AmerenCIPS by ICC Account. The value shown in this and other schedules are the amounts estimated for AmerenUE books at December 31, 2000.

Appendix 2 lists the amounts being transferred to AmerenCIPS recorded in accounts 101, 107, 108, and 111 by function (paragraph 1 above).

Appendix 3 consists of a listing of the plant material and operating supply amounts being transferred to AmerenCIPS by works headquarters.

Electric - Schedule 2
Appendix 1

Preliminary Accounting Entries for Transfer of Electric Assets and Liabilities
from Union Electric Company to
Central Illinois Public Service Company
Estimated at December 31, 2000

<u>Preliminary</u> <u>Account</u> <u>Number</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
102	Utility Plant Purchased or Sold	\$91,013,179	
101	Electric Plant in Service		\$226,265,148
121	Non-Utility Property		16,199
107	Construction Work in Progress		95,293
108	Accumulated Provision for Depreciation	134,543,688	
111	Accumulated Provision for Amortization	708,281	
135	Working funds		10,900
142	Accounts receivable		9,180,000
144	Provision for Uncollectible Accounts	324,000	
154	Plant materials and operating supplies		116,823
163	Undistributed stores expense	4,518	
173	Accrued electric and revenues		5,912,000
182	Regulatory Asset FAS 109		6,692,000
186	Environmental adjustment clause	2,779	
190	Accumulated deferred income taxes		2,183,000
232	Payroll Payable	128,091	
235	Customer Deposits	719,048	
242	Accrued Vacation Liability	383,853	
252	Customer Advances	575,000	
254	Other Regulatory Liabilities	2,399,000	
255	Accumulated deferred Investment Tax Credit	1,574,000	
282	Accumulated deferred income taxes-other property	18,071,000	
145	Notes receivable	12,463	
216	Retained Earnings	12,463	
	Balance	<u>\$250,471,363</u>	<u>\$250,471,363</u>

To clear Account 102, Electric Plant Purchased or Sold, and charge Account 145, Note Receivable from Associated Companies for the assets and liabilities transferred to AmerenCIPS.

216	Retained Earnings	\$45,506,590	
145	Notes receivable	45,506,590	
102	Utility Plant Purchased or Sold		\$91,013,179

The total effect on notes receivable and retained earnings is shown below

145	Notes receivable	45,519,052
216	Retained Earnings	45,519,052

Electric - Schedule 2
Appendix 2

Union Electric Company
Electric Utility Plant
Estimated at December 31, 2000

	<u>Account 101</u>	<u>Account 107</u>	<u>Accounts 108 & 111</u>	
<u>Plant Category</u>	<u>Estimated</u>	<u>Construction</u>	<u>Accumulated</u>	<u>Net Plant</u>
	<u>Electric Plant</u>	<u>Work in Progress</u>	<u>Amortization &</u>	
			<u>Depreciation</u>	
Transmission	\$68,663,188	\$22,474	-\$39,223,963	\$29,461,699
Distribution	145,458,070	50,474	-89,347,535	56,161,009
General	12,143,890	22,345	-6,680,471	5,485,764
Total Electric	<u>226,265,148</u>	<u>95,293</u>	<u>-135,251,969</u>	<u>91,108,472</u>
 <u>Account 121</u>				
	<u>Non-Utility</u>			
	<u>Property</u>			
Non-Utility	16,199			16,199
Total Property and Plant	<u>\$226,281,347</u>	<u>\$95,293</u>	<u>-\$135,251,969</u>	<u>\$91,124,671</u>

Electric - Schedule 2
Appendix 3

Union Electric Company
Electric Operating Materials & Supplies
Transferred to
Central Illinois Public Service Company
Estimated at December 31, 2000

<u>Location</u>	<u>Storeroom Number</u>	<u>Balance</u>
Alton	61	\$116,823
East St. Louis	50	<u>\$0</u>
		<u><u>\$116,823</u></u>

PRELIMINARY LISTING OF GAS ASSETS AND LIABILITIES BEING
TRANSFERRED FROM UNION ELECTRIC COMPANY TO CENTRAL ILLINOIS
PUBLIC SERVICE COMPANY

Union Electric Company (AmerenUE) is transferring Illinois gas service territory to Central Illinois Public Service Company.

19. All real and personal property located in the State of Illinois owned by AmerenUE (including plant in service and construction work in progress) used in the production and distribution of natural gas. The cost of these assets are recorded in Accounts 101 and 107 of the Uniform System of Accounts and the related accumulated provision for depreciation is recorded in Account 108.
20. Accounts Receivable of Illinois gas customers recorded in Account 142.
21. The provision for uncollectible accounts associated with accounts receivable being transferred to AmerenCIPS (paragraph 2 above).
22. Fuel stock consisting of propane stored at the Alton Propane Plant recorded in Account 151.
23. Plant materials and operating supplies located at the Alton Storeroom and truck stock recorded in Account 154.
24. Natural gas being held in storage by Mississippi River Transmission Corporation for AmerenUE recorded in Account 164.
25. Accrued Illinois gas revenues for service not billed at the time of transfer recorded in Account 173.
26. AFUDC temporary differences due to FAS 109 recorded in Account 182.
27. Amounts collected for environmental cleanup recorded in Account 186.
28. Accumulated deferred income taxes recorded in Account 190, for the income taxes related to unamortized Investment Tax Credit being transferred to AmerenCIPS.
29. Account payable for the amount of natural gas purchased for resale but not yet paid at the time of transfer to AmerenCIPS recorded in Account 232.
30. Accrued payroll payable recorded in Account 232.
31. Accrued vacation liability for gas employees recorded in Account 242.

32. Unamortized investment credit and Federal excess taxes - depreciation both recorded in Account 254.
33. Environmental cleanup liability at Alton Town Gas Site recorded in Account 253.
34. Unamortized Deferred Investment Tax Credits recorded in Account 255, related to the plant assets being transferred to AmerenCIPS.
35. Accumulated Deferred Income Taxes recorded in Account 282 related to the plant being transferred to AmerenCIPS.

The following appendices provide more detailed listings of the assets identified above:

Appendix 1 lists the asset and liability accounts being transferred to AmerenCIPS by ICC Account. The value shown in this and other schedules are the amounts estimated for AmerenUE books at December 31, 2000.

Appendix 2 lists the amounts being transferred to AmerenCIPS recorded in accounts 101, 107, and 108 by function (paragraph 1 above).

Appendix 3 lists the gas fuel stock being transferred to AmerenCIPS.

Appendix 4 consists of a listing of the plant material and operating supply amounts being transferred to AmerenCIPS by works headquarters.

Gas - Schedule 2
Appendix 1

Preliminary Accounting Entries for Transfer of Gas Assets and Liabilities
from Union Electric Company to
Central Illinois Public Service Company
Estimated at December 31, 2000

<u>Preliminary Account Number</u>	<u>Account Description</u>	<u>Debit</u>	<u>Credit</u>
102	Utility Plant Purchased or Sold	\$11,482,383	
101	Gas Plant in Service		\$26,403,709
107	Construction Work in Progress		0
108	Accumulated Provision for Depreciation	14,921,326	
142	Accounts receivable		1,925,000
144	Provision for Uncollectible Accounts	30,000	
151	Propane Fuel Stock		137,928
154	Plant materials and operating supplies		79,893
164	Gas storage		1,214,244
173	Accrued gas revenues		1,392,000
182	Regulatory Asset FAS 109	1,559,710	
186	Environmental adjustment clause	28,907	
190	Accumulated deferred income taxes		121,000
232	Accounts payable--to natural gas supplier	1,413,500	
232	Payroll Payable	18,996	
242	Accrued Vacation Liability	52,034	
253	Environmental cleanup deferred credit	1,900,000	
254	Other Regulatory Liabilities	446,000	
255	Accumulated deferred Investment Tax Credit	278,000	
282	Accumulated deferred income taxes-other property	550,290	
145	Notes receivable		703,686
216	Retained Earnings		703,686
	Balance	<u>\$32,681,146</u>	<u>\$32,681,146</u>

To clear Account 102, Gas Plant Purchased or Sold, and charge Account 145, Note Receivable from Associated Companies for the assets and liabilities transferred to AmerenCIPS.

216	Retained Earnings	\$5,741,192	
145	Notes receivable	5,741,192	
102	Utility Plant Purchased or Sold		\$11,482,383

The total effect on notes receivable and retained earnings is shown below

145	Notes receivable	5,037,505
216	Retained Earnings	5,037,505

Gas - Schedule 2
Appendix 2

Union Electric Company
Gas Utility Plant
Estimated at December 31, 2000

	<u>Account 101</u>	<u>Account 107</u>	<u>Accounts 108</u>	
<u>Plant Category</u>	<u>Estimated Gas Plant</u>	<u>Construction Work in Progress</u>	<u>Accumulated Depreciation</u>	<u>Net Plant</u>
Production	\$815,815		-\$794,189	\$21,626
Distribution	24,675,065	0	-13,442,263	11,232,802
General	912,829		-684,874	227,955
Total Gas	<u>\$26,403,709</u>	<u>\$0</u>	<u>-\$14,921,326</u>	<u>\$11,482,383</u>

Gas - Schedule 2
Appendix 3

Union Electric Company
Gas Fuel Stock Transferred to
Central Illinois Public Service Company
Estimated at December 31, 2000

<u>Plant</u>	<u>Propane</u>	<u>Natural Gas</u>	<u>Total</u>
Alton Propane Plant	\$137,928		\$137,928
Stored by Mississippi River Transmission Co.		1,214,244	1,214,244
Total	<u>\$137,928</u>	<u>\$1,214,244</u>	<u>\$1,352,172</u>

Gas - Schedule 2
Appendix 4

Union Electric Company
Gas Operating Materials & Supplies
Transferred to
Central Illinois Public Service Company
Estimated at December 31, 2000

<u>Location</u>	<u>Storeroom Number</u>	<u>Balance</u>
Alton	61	\$79,893
East St. Louis	50	<u>\$0</u>
		<u><u>\$79,893</u></u>

PROMISSORY NOTE

\$ _____

_____, 2000
St. Louis, Missouri

FOR VALUE RECEIVED, the undersigned, **Central Illinois Public Service Company** d/b/a AmerenCIPS (the "**Maker**"), promises to pay to the order of **Union Electric Company**, d/b/a/ AmerenUE (the "**Payee**"), in lawful money of the United States of America, in immediately available funds at the principal business address of the Payee, 1901 Chouteau Avenue, St. Louis, Missouri 63103, or at such other location as the Payee may designate from time to time in writing, the principal amount of \$ _____ (subject to adjustment as provided in the Asset Transfer Agreement hereinafter referred to), together with interest thereon as provided in this Note at a rate per annum (computed on the basis of a 360-day year consisting of twelve 30 day months) equal to _____ percent (____%), payable as provided herein; provided that the final payment of principal and interest hereon shall be due not later than _____.

Payments of principal and interest on this Note shall be made in accordance with Schedule I to this Note attached hereto and subject to the attached statement of subordination.

This Note is the Note referred to in and executed and delivered pursuant to the Asset Transfer Agreement of even date by and among the Maker as Transferee, the Payee as Transferor and Ameren Corporation (the "Asset Transfer Agreement").

Upon receiving the prior written consent of the Payee, the Maker shall have the right to prepay the principal amount of this Note, in whole or in part, without premium or penalty. All partial prepayments shall be applied first to accrued interest under this Note and then to principal installments in the reverse order of their maturity.

The Maker shall be in default under this Note upon the occurrence of any of the following events of default (an "Event of Default"):

- (a) default in the payment of any installment of the principal or interest on this Note, which default, continues unremedied for a period of ten days after notice of default shall have been received by the Maker from the Payee;
- (b) the Maker fails to make any payment in respect of any indebtedness or contingent obligation having an aggregate principal amount of more than \$5,000,000 when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) and such failure continues after the applicable grace or notice period, if any, specified in the relevant document on the date of such failure;
- (c) any breach of the provisions under the Asset Transfer Agreement, subject to any periods of cure thereunder, by the Maker; and
- (d) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of the Maker

Schedule 3

or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership, or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Maker or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered.

Upon the occurrence of an Event of Default, and at any time thereafter as long as such Event of Default shall be continuing, the Payee may declare all liabilities and obligations of the Maker to the Payee immediately due and payable and the same shall thereupon become immediately due and payable without any further action on the part of the Payee.

This Note shall not be assigned by the Maker without the prior written consent of the Payee. This Note shall bind the Maker and its successors and assigns, and the benefits hereof shall inure to the benefit of the Payee and its successors and assigns. All references herein to the "Maker" and "Payee" shall be deemed to apply to the Maker and the Payee, respectively, and to their respective successors and assigns.

The Maker (and the endorser, guarantor or surety hereof) hereby waives presentment, demand, protest and notice of any kind. No failure to exercise and no delay in exercising any rights hereunder on the part of the Payee shall operate as a waiver of such rights.

The validity, interpretation and enforcement of this Note shall be governed by the laws of the State of Illinois without giving effect to the conflict of laws principles thereof.

IN WITNESS WHEREOF, the Maker has caused this Note to be executed and delivered by the Maker's duly authorized person as of the date first set forth above.

CENTRAL ILLINOIS PUBLIC SERVICE
COMPANY, d/b/a AMERENCIPS

By: _____

SCHEDULE I

SCHEDULE OF PRINCIPAL AND INTEREST PAYMENTS ON PROMISSORY NOTE

Payments of principal are due on _____ of each year. Payments of interest are due on _____, _____, _____, and _____ of each year commencing _____, 200_. Amounts payable are subject to adjustment as provided in the Note and the Asset Transfer Agreement dated as of _____, 2000.

Period Ending	Principal Payment	Interest Payment

STATEMENT OF SUBORDINATION

The indebtedness evidenced by this Note shall be subordinate and junior to any and all indebtedness (hereafter referred to as "Senior Debt") of Maker, now existing or hereafter incurred, in respect of (i) borrowings (including renewals and extensions thereof) from any one or more banks, insurance companies, pension or profit sharing trusts, or other financial institutions whether secured or unsecured, and (ii) all other borrowings incurred, assumed or guaranteed by Maker, at any time, before or after the date of this Note, evidenced by a note, debenture, bond or other similar instrument (including capitalized lease and purchase money obligations, and/or for the acquisition (whether by way of purchase, merger or otherwise) of any business, real property or other assets (except assets acquired in the ordinary course of business) but excluding obligations other than for borrowed money including trade payables and other obligations to general creditors), except indebtedness which, by its terms or the terms of the instrument creating or evidencing it, provides that such indebtedness is not superior in right of payment to the payment of principal of or any interest on this Note, or that such indebtedness is subordinated to all other indebtedness of the Maker. Notwithstanding any other provision of this Note, "Senior Debt" shall include refinancings, renewals, extensions or refundings of the indebtedness described in clauses (i) and (ii) above. "Subordinate and junior" as used herein shall mean that in the event of:

(a) any default in, or violation of, the terms or covenants of any Senior Debt, including, without limitation, any default in payment of principal of, or premium, if any, or interest on, any Senior Debt whenever due (whether by acceleration of maturity or otherwise), and during the continuance thereof, or

(b) the institution of any liquidation, dissolution, bankruptcy, insolvency, reorganization or similar proceeding relating to Maker, its property or its creditors as such,

the holder of this Note shall not be entitled to receive any payment of principal of, or premium, if any, or interest on, this Note until all amounts owing in respect of Senior Debt (matured and unmatured) shall have been paid in full; and from and after the happening of any event described in clause (c) of this paragraph, all payments and distributions of any kind or character (whether in cash, securities or property) which, except for the subordination provisions hereof, would have been payable or distributable to the holder of this Note (whether directly or by reason of this Note's being superior to any other indebtedness), shall be made to and for the benefit of the holders of Senior Debt (who shall be entitled to make all necessary claims therefor) in accordance with the priorities of payment thereof until all Senior Debt (matured and unmatured) shall have been paid in full. Upon the happening of any event described in clauses (a) or (b) of this paragraph, all Senior Debt shall (at the option of the holder thereof and subject to the terms thereof) become immediately due and payable in full. No act or failure to act on the part of Maker, and no default under or breach of any agreement of Maker, whether or not herein set forth, shall in any way prevent or limit the holder of any Senior Debt from enforcing fully the subordination herein provided for, irrespective of any knowledge or notice which such holder may at any time have or be charged with. So long as any Senior Debt shall be outstanding, Maker shall not, without the prior written consent of all holders thereof except as may be

otherwise agreed to by such holders in such instruments, (i) pay any amount in respect of principal of this Note prior to the stated maturity thereof or purchase or redeem this Note in whole or in part, except as may be otherwise expressly required herein or (ii) alter or amend any of the terms of this paragraph. Maker and the holder hereof agree not to alter, amend or waive any of the terms of this Note or any right in respect thereto in any manner which might adversely affect the holders of Senior Debt without the prior written consent of all such holders except as may be otherwise agreed to by such holders in such instruments. Without limiting the above, any alteration, amendment or waiver providing for full or partial payment, purchase or redemption hereof, by Maker at any time other than as originally set forth herein, shall be deemed to adversely affect the holders of Senior Debt. Anything hereinabove to the contrary notwithstanding, in the event that any payment or distribution is made with respect to the indebtedness evidenced by this Note in violation of the terms hereof, any holder hereof receiving such payment or distribution shall hold it in trust for the benefit of, and shall remit it to, the holders of Senior Debt then outstanding in accordance with the priorities of payment thereof. The provisions of this paragraph are solely for the purpose of defining the relative rights of the holders of Senior Debt on the one hand, and the holder of this Note on the other hand, and nothing herein shall impair, as between Maker and the holder of this Note, the obligation of Maker, which is unconditional and absolute, to pay to the holder hereof the principal hereof, and the premium, if any, and interest hereon, in accordance with the terms hereof nor shall anything herein prevent the holder of this Note from exercising all remedies otherwise permitted by applicable law or hereunder upon default hereunder, subject to the rights, if any, under this paragraph of holders of Senior Debt. Any instrument defining the terms of any Senior Debt may include subordination provisions in respect of this Note and, in such case, in the event of any inconsistency between the terms of the subordination provisions of such Senior Debt instrument and the subordination provisions herein, the terms of the subordination provisions of such Senior Debt instrument shall govern.

This statement of subordination is hereby made a part of the attached Note as if set forth in full therein.

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AmerenUE Forecast of Peak Demands And System Capability at Time of Peak (2000 - 2004)
No Metro East Transfer
(MEGAWATTS)

The information contained on this Schedule is **"HIGHLY CONFIDENTIAL"** and **"PROPRIETARY"**

AEMC Forecast of Peak Demands And System Capability at Time of Peak (2000 - 2004)
No Metro East Transfer
(MEGAWATTS)

The information contained in this Schedule is "**HIGHLY CONFIDENTIAL**" and "**PROPRIETARY**"

AmerenUE Forecast of Peak Demands And System Capability at Time of Peak (2000 - 2004)
With Metro East Transfer
(MEGAWATTS)

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AEMC Forecast of Peak Demands And System Capability at Time of Peak (2000 - 2004)
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