

benefits of the Mergers) would result in such conditions being satisfied or waived, then the parties shall use their respective best efforts to effect a business combination among themselves by means of a mutually agreed upon structure other than the Mergers that so preserves such benefits; provided that, prior to closing any such restructured transaction, all material third-party and Governmental Authority declarations, filings, registrations, notices, authorizations, consents or approvals necessary for the effectuation of such alternative business combination shall have been obtained and all other conditions to the parties' obligations to consummate the Mergers, as applied to such alternative business combination, shall have been satisfied or waived.

Section 7.19 Charter and By-Law Amendments. Prior to the mailing of the Joint Proxy Statement/Prospectus, Union Electric and CIPSCO shall agree upon amendments to be effected to the articles of incorporation of the Company, and the by-laws of the Company, and the Company shall take all actions necessary so that such amendments become effective no later than the Effective Time.

Section 7.20 Transfers of Illinois Assets. Prior to the Closing and subject to the next sentence of this Section 7.20, Union Electric shall use reasonable efforts and shall have taken such action as is necessary to effect the transfer of the assets set forth on Schedule 7.20 of this Agreement to CIPS, which transfers shall be effected immediately subsequent to the Company Merger. To the extent any of such assets set forth in Schedule 7.20 cannot be conveyed to CIPS, the parties hereto shall use reasonable efforts to implement alternative arrangements (such as licensing arrangements) with respect to such non-conveyed assets as shall be mutually agreed upon by Union Electric and CIPSCO.

ARTICLE VIII

CONDITIONS

Section 8.1 Conditions to Each Party's Obligation to Effect the Mergers. The respective obligations of each party to effect the Mergers shall be subject to the satisfaction on or prior to the Closing Date of the following conditions, except, to the extent permitted by applicable law, that such conditions may be waived in writing pursuant to Section 9.5 by the joint action of the parties hereto:

(a) *Shareholder Approvals.* The Union Electric Shareholders' Approval and the CIPSCO Shareholders' Approval shall have been obtained.

(b) *No Injunction.* No temporary restraining order or preliminary or permanent injunction or other order by any federal or state court preventing consummation of the Mergers shall have been issued and be continuing in effect, and the Mergers and the other transactions contemplated hereby shall not have been prohibited under any applicable federal or state law or regulation.

(c) *Registration Statement.* The Registration Statement shall have become effective in accordance with the provisions of the Securities Act, and no stop order suspending such effectiveness shall have been issued and remain in effect.

(d) *Listing of Shares.* The shares of Company Common Stock issuable in the Mergers pursuant to Article II shall have been approved for listing on the NYSE upon official notice of issuance.

(e) *Statutory Approvals.* The CIPSCO Required Statutory Approvals and the Union Electric Required Statutory Approvals shall have been obtained at or prior to the Effective Time, such approvals shall have become Final Orders (as defined below) and such Final Orders shall not impose terms or conditions which, in the aggregate, would have, or insofar as reasonably can be foreseen, could have, a material adverse effect on the business, assets, financial condition or results of operations of the Company and its prospective subsidiaries taken as a whole or on the Company prospective utility subsidiaries located in the State of Missouri taken as a whole, or on its prospective utility subsidiaries located in the State of Illinois taken as a whole or which would be materially inconsistent with the agreements of the parties contained herein. A "Final Order" means action by the relevant regulatory authority which has not been reversed, stayed, enjoined, set aside, annulled or suspended, with respect to which any waiting period prescribed by law before the transactions contemplated hereby may be consummated has expired, and as to which all conditions to the consummation of such transactions prescribed by law, regulation or order have been satisfied.

(f) *Pooling.* Each of CIPSCO and Union Electric shall have received a letter of its independent public accountants, dated the Closing Date, in form and substance

reasonably satisfactory, in each case, to CIPSCO and Union Electric, stating that the transactions effected pursuant to this Agreement will qualify as a pooling of interests transaction under GAAP and applicable SEC regulations.

(g) *Dissenters' Rights.* The number of Union Electric Dissenting Shares shall not constitute more than 5% of the number of issued and outstanding shares of Union Electric Common Stock and Union Electric Preferred Stock, taken together as a single class for this purpose.

Section 8.2 Conditions to Obligation of Union Electric to Effect the Mergers. The obligation of Union Electric to effect the Merger shall be further subject to the satisfaction, on or prior to the Closing Date, of the following conditions, except as may be waived by Union Electric in writing pursuant to *Section 9.5*:

(a) *Performance of Obligations of CIPSCO.* CIPSCO (and/or its appropriate subsidiaries) shall have performed its agreements and covenants contained in *Sections 6.1(b)* and *6.1(c)* and shall have performed in all material respects its other agreements and covenants contained in or contemplated by this Agreement and the CIPSCO Stock Option Agreement required to be performed by it at or prior to the Effective Time.

(b) *Representations and Warranties.* The representations and warranties of CIPSCO set forth in this Agreement and the CIPSCO Stock Option Agreement shall be true and correct (i) on and as of the date hereof and (ii) on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of the Closing Date (except for representations and warranties that expressly speak only as of a specific date or time other than the date hereof or the Closing Date which need only be true and correct as of such date or time) except in each of cases (i) and (ii) for such failures of representations or warranties to be true and correct (without regard to any materiality qualifications contained therein) which, individually or in the aggregate, would not be reasonably likely to result in a CIPSCO Material Adverse Effect.

(c) *Closing Certificates.* Union Electric shall have received a certificate signed by the chief financial officer of CIPSCO, dated the Closing Date, to the effect that, to the best of such officer's knowledge, the conditions set forth in *Section 8.2(a)* and *Section 8.2(b)* have been satisfied.

(d) *CIPSCO Material Adverse Effect.* No CIPSCO Material Adverse Effect shall have occurred and there shall exist no fact or circumstance which is reasonably likely to have a CIPSCO Material Adverse Effect.

(e) *CIPSCO Required Consents.* The CIPSCO Required Consents the failure of which to obtain would have a CIPSCO Material Adverse Effect shall have been obtained.

(f) *Affiliate Agreements.* The Company shall have received Affiliate Agreements, duly executed by each "affiliate" of CIPSCO, substantially in the form of *Exhibit 7.8*, as provided in *Section 7.8*.

(g) *Tax Opinion.* Union Electric shall have received an opinion of Wachtell, Lipton, Rosen & Katz satisfactory in form and substance to Union Electric, dated as of the Closing Date, to the effect that (i) the Union Electric Merger will be treated as a tax-free reorganization under Section 368(a) of the Code, and/or (ii) the Mergers, taken together, will be treated as an exchange under Section 351 of the Code.

Section 8.3 Conditions to Obligation of CIPSCO to Effect the Mergers. The obligation of CIPSCO to effect the CIPSCO Merger shall be further subject to the satisfaction, on or prior to the Closing Date, of the following conditions, except as may be waived by CIPSCO in writing pursuant to *Section 9.5*:

(a) *Performance of Obligations of Union Electric.* Union Electric (and/or its appropriate subsidiaries) will have performed its agreements and covenants contained in *Sections 6.1(b)* and *6.1(c)* and will have performed in all material respects its other agreements and covenants contained in or contemplated by this Agreement and the Union Electric Stock Option Agreement required to be performed at or prior to the Effective Time.

(b) *Representations and Warranties.* The representations and warranties of Union Electric set forth in this Agreement and the Union Electric Stock Option Agreement shall be true and correct (i) on and as of the date hereof and (ii) on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of the Closing Date (except for representations and warranties that expressly speak only as of a specific date or time other than the date hereof or the Closing Date which need only be true and correct as of such date or time) except in each of cases (i) and (ii)

for such failures of representations or warranties to be true and correct (without regard to any materiality qualifications contained therein) which, individually or in the aggregate, would not be reasonably likely to result in a Union Electric Material Adverse Effect.

(c) *Closing Certificates.* CIPSCO shall have received a certificate signed by the chief financial officer of Union Electric, dated the Closing Date, to the effect that, to the best of such officer's knowledge, the conditions set forth in Section 8.3(a) and Section 8.3(b) have been satisfied.

(d) *Union Electric Material Adverse Effect.* No Union Electric Material Adverse Effect shall have occurred and there shall exist no fact or circumstance which is reasonably likely to have a Union Electric Material Adverse Effect.

(e) *Union Electric Required Consents.* The Union Electric Required Consents the failure of which to obtain would have a Union Electric Material Adverse Effect shall have been obtained.

(f) *Affiliate Agreements.* The Company shall have received Affiliate Agreements, duly executed by each "affiliate" of Union Electric substantially in the form of Exhibit 7.8, as provided in Section 7.8.

(g) *Tax Opinion.* CIPSCO shall have received an opinion of Jones, Day, Reavis & Pogue satisfactory in form and substance to CIPSCO, dated as of the Closing Date, to the effect that the Company Merger will be treated as a tax-free reorganization under Section 368(a) of the Code.

ARTICLE IX

TERMINATION, AMENDMENT AND WAIVER

Section 9.1 *Termination.* This Agreement may be terminated at any time prior to the Closing Date, whether before or after approval by the shareholders of the respective parties hereto contemplated by this Agreement:

(a) by mutual written consent of the Boards of Directors of CIPSCO and Union Electric;

(b) by any party hereto, by written notice to the other parties, if the Effective Time shall not have occurred on or before the second anniversary of the date hereof (the "Initial Termination Date"); provided, however, that the right to terminate the Agreement under this Section 9.1(b) shall not be available to any party whose failure to fulfill any obligation under this Agreement has been the cause of, or resulted in, the failure of the Effective Time to occur on or before such date; and provided, further, that if on the Initial Termination Date the conditions to the Closing set forth in Sections 8.1(e), 8.2(e) and/or 8.3(e) shall not have been fulfilled but all other conditions to the Closing shall be fulfilled or shall be capable of being fulfilled, then the Initial Termination Date shall be extended to the thirty month anniversary of the date hereof;

(c) by any party hereto, by written notice to the other parties, if the Union Electric Shareholders' Approval shall not have been obtained at a duly held Union Electric Special Meeting, including any adjournments thereof, or the CIPSCO Shareholders' Approval shall not have been obtained at a duly held CIPSCO Special Meeting, including any adjournments thereof;

(d) by any party hereto, if any state or federal law, order, rule or regulation is adopted or issued, which has the effect, as supported by the written opinion of outside counsel for such party, of prohibiting the Merger, or by any party hereto if any court of competent jurisdiction in the United States or any State shall have issued an order, judgment or decree permanently restraining, enjoining or otherwise prohibiting the Merger, and such order, judgment or decree shall have become final and non-appealable;

(e) by Union Electric, upon two days' prior notice to CIPSCO, if, as a result of a tender offer by a party other than CIPSCO or any of its affiliates or any written offer or proposal with respect to a merger, sale of a material portion of its assets or other business combination (each, a "Business Combination") by a party other than CIPSCO or any of its affiliates, the Board of Directors of Union Electric determines in good faith that their fiduciary obligations under applicable law require that such tender offer or other written offer or proposal be accepted; provided, however, that (i) the Board of Directors of Union Electric shall have been advised in a written opinion of outside counsel that notwithstanding a binding commitment to consummate an agreement of the nature of

this Agreement entered into in the proper exercise of their applicable fiduciary duties, and notwithstanding all concessions which may be offered by CIPSCO in negotiations entered into pursuant to clause (ii) below, such fiduciary duties would also require the directors to reconsider such commitment as a result of such tender offer or other written offer or proposal; and (ii) prior to any such termination, Union Electric shall, and shall cause its respective financial and legal advisors to, negotiate with CIPSCO to make such adjustments in the terms and conditions of this Agreement as would enable Union Electric to proceed with the transactions contemplated herein on such adjusted terms;

(f) by CIPSCO, upon two days' prior notice to Union Electric, if, as a result of a tender offer by a party other than Union Electric or any of its affiliates or any written offer or proposal with respect to a Business Combination by a party other than Union Electric or any of its affiliates, the Board of Directors of CIPSCO determines in good faith that their fiduciary obligations under applicable law require that such tender offer or other written offer or proposal be accepted; *provided, however,* that (i) the Board of Directors of CIPSCO shall have been advised in a written opinion of outside counsel that notwithstanding a binding commitment to consummate an agreement of the nature of this Agreement entered into in the proper exercise of their applicable fiduciary duties, and notwithstanding all concessions which may be offered by Union Electric in negotiations entered into pursuant to clause (ii) below, such fiduciary duties would also require the directors to reconsider such commitment as a result of such tender offer or other written offer or proposal; and (ii) prior to any such termination, CIPSCO shall, and shall cause its respective financial and legal advisors to, negotiate with Union Electric to make such adjustments in the terms and conditions of this Agreement as would enable CIPSCO to proceed with the transactions contemplated herein on such adjusted terms;

(g) by CIPSCO, by written notice to Union Electric, if (i) there exist breaches of the representations and warranties of Union Electric made herein as of the date hereof which breaches, individually or in the aggregate, would or would be reasonably likely to result in a Union Electric Material Adverse Effect, and such breaches shall not have been remedied within 20 days after receipt by Union Electric of notice in writing from CIPSCO, specifying the nature of such breaches and requesting that they be remedied, (ii) Union Electric (and/or its appropriate

subsidiaries) shall not have performed and complied with its agreements and covenants contained in Sections 6.1(b) and 6.1(c) or shall have failed to perform and comply with, in all material respects, its other agreements and covenants hereunder or under the Union Electric Stock Option Agreement and such failure to perform or comply shall not have been remedied within 20 days after receipt by Union Electric of notice in writing from CIPSCO, specifying the nature of such failure and requesting that it be remedied; or (iii) the Board of Directors of Union Electric or any committee thereof (A) shall withdraw or modify in any manner adverse to CIPSCO its approval or recommendation of this Agreement or the Union Electric Merger, (B) shall fail to reaffirm such approval or recommendation upon CIPSCO's request, (C) shall approve or recommend any acquisition of Union Electric or a material portion of its assets or any tender offer for shares of capital stock of Union Electric, in each case, by a party other than CIPSCO or any of its affiliates or (D) shall resolve to take any of the actions specified in clause (A), (B) or (C);

(h) by Union Electric, by written notice to CIPSCO, if (i) there exist material breaches of the representations and warranties of CIPSCO made herein as of the date hereof which breaches, individually or in the aggregate, would or would be reasonably likely to result in a CIPSCO Material Adverse Effect, and such breaches shall not have been remedied within 20 days after receipt by CIPSCO of notice in writing from Union Electric, specifying the nature of such breaches and requesting that they be remedied, (ii) CIPSCO (and/or its appropriate subsidiaries) shall not have performed and complied with its agreements and covenants contained in Sections 6.1(b) and 6.1(c) or shall have failed to perform and comply with, in all material respects, its other agreements and covenants hereunder or under the CIPSCO Stock Option Agreement, and such failure to perform or comply shall not have been remedied within 20 days after receipt by CIPSCO of notice in writing from Union Electric, specifying the nature of such failure and requesting that it be remedied; or (iii) the Board of Directors of CIPSCO or any committee thereof (A) shall withdraw or modify in any manner adverse to Union Electric its approval or recommendation of this Agreement or the CIPSCO Merger, (B) shall fail to reaffirm such approval or recommendation upon Union Electric's request, (C) shall approve or recommend any acquisition of CIPSCO or a material portion of its assets or any tender offer for the shares of capital stock of CIPSCO, in each case by a party other than Union Electric or any of its affiliates

or (D) shall resolve to take any of the actions specified in clause (A), (B) or (C); or

(i) by either Union Electric or CIPSCO, by written notice to the other party, if (A) a third party acquires securities representing greater than 50% of the voting power of the outstanding voting securities of such other party or (B) individuals who as of the date hereof constitute the board of directors of such other party (together with any new directors whose election by such board of directors or whose nomination for election by the stockholders of such party was approved by a vote of a majority of the directors of such party then still in office who are either directors as of the date hereof or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the board of directors of such party then in office.

Section 9.2 *Effect of Termination.* Subject to Section 10.1(b), in the event of termination of this Agreement by either CIPSCO or Union Electric pursuant to Section 9.1 there shall be no liability on the part of either CIPSCO or Union Electric or their respective officers or directors hereunder, except that Section 7.17 and Section 9.3, the agreement contained in the last sentence of Section 7.1, Section 10.2 and Section 10.8 shall survive the termination.

Section 9.3 *Termination Fee; Expenses.*

(a) *Termination Fee upon Breach or Withdrawal of Approval.* If this Agreement is terminated at such time that this Agreement is terminable pursuant to one (but not both) of (x) Section 9.1(g)(i) or (ii) or (y) Section 9.1(h)(i) or (ii), then: (i) the breaching party shall promptly (but not later than five business days after receipt of notice from the non-breaching party) pay to the non-breaching party in cash an amount equal to all documented out-of-pocket expenses and fees incurred by the non-breaching party (including, without limitation, fees and expenses payable to all legal, accounting, financial, public relations and other professional advisors arising out of, in connection with or related to the Merger or the transactions contemplated by this Agreement) not in excess of \$10 million; provided, however, that, if this Agreement is terminated by a party as a result of a willful breach by the other party, the non-breaching party may pursue any remedies available to it at law or in equity and shall, in addition to its out-of-pocket expenses (which shall be paid as specified above and shall not be limited to \$10 million), be entitled to retain such additional amounts as such non-breaching party may be entitled to receive at law or in equity; and (ii) if (x) at

the time of the breaching party's willful breach of this Agreement, there shall have been a third-party tender offer for shares of, or a third party offer or proposal with respect to a Business Combination involving, such party or any of its affiliates which at the time of such termination shall not have been rejected by such party and its board of directors and withdrawn by the third party, and (y) within two and one-half years of any termination by the non-breaching party, the breaching party or an affiliate thereof becomes a subsidiary of such offeror or a subsidiary of an affiliate of such offeror or accepts a written offer to consummate or consummates a Business Combination with such offeror or an affiliate thereof, then such breaching party (jointly and severally with its affiliates), upon the signing of a definitive agreement relating to such a Business Combination, or, if no such agreement is signed then at the closing (and as a condition to the closing) of such breaching party becoming such a subsidiary or of such Business Combination, will pay to the non-breaching party an additional fee equal to \$30 million in cash.

(b) *Additional Termination Fee.* If (i) this Agreement (x) is terminated by any party pursuant to Section 9.1(e) or Section 9.1(f), (y) is terminated following a failure of the shareholders of any one of the parties to grant the necessary approvals described in Section 4.13 and Section 5.13 or (z) is terminated as a result of such party's material breach of Section 7.4, and (ii) at the time of such termination or prior to the meeting of such party's shareholders there shall have been a third-party tender offer for shares of, or a third-party offer or proposal with respect to a Business Combination involving, such party or any of its affiliates which at the time of such termination or of the meeting of such party's shareholders shall not have been (A) rejected by such party and its board of directors and (B) withdrawn by the third-party, and (iii) within two and one-half years of any such termination described in clause (i) above, the party or its affiliate which is the subject of the tender offer or offer or proposal with respect to a Business Combination (the "Target Party") becomes a subsidiary of such offeror or a subsidiary of an affiliate of such offeror or accepts a written offer to consummate or consummates a Business Combination with such offeror or affiliate thereof, then such Target Party (jointly and severally with its affiliates), upon the signing of a definitive agreement relating to such a Business Combination, or, if no such agreement is signed, then at the closing (and as a condition to the closing) of such Target Party becoming such a subsidiary or of such Business Combination, will pay to the other party a termination fee equal to \$30 million in cash plus the out-of-pocket fees and expenses

incurred by the non-breaching party (including, without limitation, fees and expenses payable to all legal, accounting, financial, public relations and other professional advisors arising out of, in connection with or related to the Merger or the transactions contemplated by this Agreement).

(c) *Expenses.* The parties agree that the agreements contained in this Section 9.3 are an integral part of the transactions contemplated by the Agreement and constitute liquidated damages and not a penalty. If one party fails to promptly pay to the other any fee due hereunder, the defaulting party shall pay the costs and expenses (including legal fees and expenses) in connection with any action, including the filing of any lawsuit or other legal action, taken to collect payment, together with interest on the amount of any unpaid fee at the publicly announced prime rate of Citibank, N.A. from the date such fee was required to be paid.

(d) *Limitation of Termination Fees.* Notwithstanding anything herein to the contrary, the aggregate amount payable to Union Electric and its affiliates pursuant to Section 9.3(a), Section 9.3(b) and the terms of the CIPSCO Stock Option Agreement shall not exceed \$50 million and the aggregate amount payable to CIPSCO and its affiliates pursuant to Section 9.3(a), Section 9.3(b) and the terms of the Union Electric Stock Option Agreement shall not exceed \$50 million (including, in each case, reimbursement for fees and expenses payable pursuant to this Section 9.3). For purposes of this Section 9.3(d), the amount payable pursuant to the terms of the CIPSCO Stock Option Agreement, as the case may be, shall be the amount paid pursuant to Section 7(a)(i) and 7(a)(ii) thereof.

Section 9.4 Amendment. This Agreement may be amended by the Boards of Directors of the parties hereto, at any time before or after approval hereof by the shareholders of CIPSCO and Union Electric and prior to the Effective Time, but after such approvals, no such amendment shall (i) alter or change the amount or kind of shares, rights or any of the proceedings of the treatment of shares under Article II, or (ii) alter or change any of the terms and conditions of this Agreement if any of the alterations or changes, alone or in the aggregate, would materially adversely affect the rights of holders of CIPSCO capital stock or Union Electric capital stock, except for alterations or changes that could otherwise be adopted by the Board of Directors of the Company, without the further approval of such shareholders, as applicable. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

Section 9.5 Waiver. At any time prior to the Effective Time, the parties hereto may (a) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (b) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto and (c) waive compliance with any of the agreements or conditions contained herein, to the extent permitted by applicable law. Any agreement on the part of a party hereto to any such extension or waiver shall be valid if set forth in an instrument in writing signed on behalf of such party.

ARTICLE X

GENERAL PROVISIONS

Section 10.1 Non-Survival; Effect of Representations and Warranties. (a) All representations, warranties and agreements in this Agreement shall not survive the Merger, except as otherwise provided in this Agreement and except for the agreements contained in this Section 10.1 and in Article II, Section 7.5, Section 7.9, Section 7.10, Section 7.11, Section 7.14, Section 7.15, Section 7.16, Section 7.17 and Section 10.7.

(b) No party may assert a claim for breach of any representation or warranty contained in this Agreement (whether by direct claim or counterclaim) except in connection with the cancellation of this Agreement pursuant to Section 9.1(g)(i) or Section 9.1(h)(i) (or pursuant to any other subsection of Section 9.1, if the terminating party would have been entitled to terminate this Agreement pursuant to Section 9.1(g)(i) or Section 9.1(h)(i)).

Section 10.2 Brokers. CIPSCO represents and warrants that, except for Morgan Stanley & Co., Inc. whose fees have been disclosed to Union Electric prior to the date hereof, no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the Merger or the transactions contemplated by this Agreement based upon arrangements made by or on behalf of CIPSCO. Union Electric represents and warrants that, except for Goldman, Sachs & Co., whose fees have been disclosed to CIPSCO prior to the date hereof, no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the Merger or the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Union Electric.

Section 10.3 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if (i) delivered personally, (ii) sent by reputable overnight courier service, (iii) telecopied (which is confirmed), or (iv) five days after being mailed by registered or certified mail (return receipt requested) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) If to CIPSCO, to:

CIPSCO Incorporated
607 East Adams Street
Springfield, IL 62739

Attention: Craig D. Nelson, Treasurer
Telephone: (217) 525-5315
Telecopy: (217) 535-5067

with a copy to:

Jones, Day, Reavis & Pogue
77 West Wacker Drive
Chicago, Illinois 60601
Attention: Robert A. Yolles, Esq.

Telephone: (312) 782-3939
Telecopy: (312) 782-8585

(b) If to Union Electric, to:

Union Electric Company
1901 Chouteau Avenue
P.O. Box 149
St. Louis, MO 63166

Attention: Donald E. Brandt,
Chief Financial Officer
Telephone: (314) 554-2473
Telecopy: (314) 554-3066

with a copy to:

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019
Attention: Seth A. Kaplan, Esq.

Telephone: (212) 403-1000
Telecopy: (212) 403-2000

Section 10.4 *Miscellaneous*. This Agreement (including the documents and instruments referred to herein) (i) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof other than the Confidentiality Agreement; (ii) shall not be assigned by operation of law or otherwise; and (iii) shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts executed in and to be fully performed in such State, without giving effect to its conflicts of law, rules or principles and except to the extent the provisions of this Agreement (including the documents or instruments referred to herein) are expressly governed by or derive their authority from the MGBCL or the IBCA.

Section 10.5 *Interpretation*. When a reference is made in this Agreement to Sections or Exhibits, such reference shall be to a Section or Exhibit of this Agreement, respectively, unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation".

Section 10.6 *Counterparts; Effect*. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same agreement.

Section 10.7 *Parties in Interest*. This Agreement shall be binding upon and inure solely to the benefit of each party hereto, and, except for rights of Indemnified Parties as set forth in Section 7.5, nothing in this Agreement, express or implied, is intended to confer upon any other person any rights or remedies of any nature whatsoever under or by reason of this Agreement. Notwithstanding the foregoing and any other provision of this Agreement, and in addition to any other required action of the Board of Directors of the Company (a) a majority of the directors (or their successors) serving on the Board of Directors of the Company who are designated by Union Electric pursuant to Section 7.13 shall be entitled during the three year period commencing at the Effective Time (the "Three Year Period") to enforce the provisions of Section 7.9, Section 7.10, Section 7.11 and Section 7.14 on behalf of the Union Electric officers, directors and employees, as the case may be, and (b) a majority of the directors (or their successors) serving on the Board of Directors of the Company who are designated by CIPSCO pursuant to Section 7.13 shall be entitled during the Three Year Period to enforce the provisions of, Sections 7.9,

Section 7.10, Section 7.11, and Section 7.14 on behalf of the CIPSCO officers, directors and employees, as the case may be. Such directors' rights and remedies under the preceding sentence are cumulative and are in addition to any other rights and remedies they may have at law or in equity, but in no event shall this Section 10.7 be deemed to impose any additional duties on any such directors. The Company shall pay, at the time they are incurred, all costs, fees and expenses of such directors incurred in connection with the assertion of any rights on behalf of the persons set forth above pursuant to this Section 10.7.

Section 10.8 *Waiver of Jury Trial and Certain Damages.* Each party to this Agreement waives, to the fullest extent permitted by applicable law, (i) any right it may have to a trial by jury in respect of any action, suit or proceeding arising out of or relating to this Agreement and (ii) without limitation to Section 9.3, any right it may have to receive damages from any other party based on any theory of liability for any special, indirect, consequential (including lost profits) or punitive damages.

Section 10.9 *Enforcement.* The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in any court of the United States located in the State of New York or in New York state court, this being in addition to any other remedy to which they are entitled at law or in equity. In addition, each of the parties hereto (a) consents to submit itself to the personal jurisdiction of any federal court located in the State of New York or any New York state court in the event any dispute arises out of this Agreement or any of the transactions contemplated by this Agreement, (b) agrees that it will not attempt to deny such personal jurisdiction by motion or other request for leave from any such court and (c) agrees that it will not bring any action relating to this Agreement or any of the transactions contemplated by this Agreement in any court other than a federal or state court sitting in the State of New York.

IN WITNESS WHEREOF, Union Electric and CIPSCO have caused this Agreement to be signed by their respective officers thereunto duly authorized as of the date first written above.

UNION ELECTRIC COMPANY

By: /s/ Charles W. Mueller
Name: Charles W. Mueller
Title: President

Attest: /s/ James C. Thompson
Secretary

CIPSCO INCORPORATED

By: /s/ Clifford L. Greenwalt
Name: Clifford L. Greenwalt
Title: President

Attest: /s/ William A. Koertner
Secretary

ARCH HOLDING CORP.

By: /s/ Donald E. Brandt
Name: Donald E. Brandt
Title: President

Attest: /s/ William E. Jaudes
Secretary

ARCH MERGER INC.

By: /s/ Donald E. Brandt
Name: Donald E. Brandt
Title: President

Attest: /s/ William E. Jaudes
Secretary

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Exhibits A and B have been omitted from this volume.
The Executed CIPSCO Stock Option Agreement is attached
under Tab 4. The Executed Union Electric Stock Option
Agreement is attached under Tab 5.

Form of Affiliate Agreement

Gentlemen:

[The undersigned is a holder of shares of [Common Stock, par value \$5.00 per share ("Union Electric Common Stock") and/or Preferred Stock, without par value ("Union Electric Preferred Stock"), of Union Electric Company, a Missouri corporation ("Union Electric")] [Common Stock, without par value ("CIPSCO Common Stock") of CIPSCO Incorporated, an Illinois corporation ("CIPSCO")]. [This letter relates to the merger (the "Merger") of Union Electric with a wholly owned subsidiary of Arch Holding Corp., a Missouri corporation (the "Company"), in which holders of securities of Union Electric shall receive securities of the Company (the "Securities").] [This letter relates to the merger (the "Merger") of CIPSCO with and into Arch Holding Corp., a Missouri corporation (the "Company"), in which holders of securities of CIPSCO shall receive securities of the Company or of any of its wholly owned subsidiaries (the "Securities").]

The undersigned acknowledges that the undersigned may be deemed an "affiliate" of the Company and/or [Union Electric] [CIPSCO] within the meaning of Rule 145 ("Rule 145") promulgated under the Securities Act of 1933, as amended (the "Act"), and/or as such term is used in and for purposes of Accounting Series Releases 130 and 135, as amended, of the Securities and Exchange Commission (the "Commission"), although nothing contained herein shall be construed as an admission of such status.

If in fact the undersigned were an affiliate of the Company and/or [Union Electric] [CIPSCO] under the Act, the undersigned's ability to sell, assign or transfer any Securities received by the undersigned in exchange for any shares of [CIPSCO Common Stock], [Union Electric Common Stock or Union Electric Preferred Stock] pursuant to the Merger [(including shares of Union Electric Common Stock received upon the exercise of any options held by the undersigned which are converted as a result of the Mergers into options to purchase equivalent Securities)] may be restricted unless such transaction is registered under the Act or an exemption from such registration is available. The undersigned understands that such exemptions are limited and the undersigned has obtained advice of counsel as to the nature and conditions of such exemptions, including information with respect to the applicability to the sale of such securities[, including the sale of Union Electric Preferred Stock,] of Rules 144 and 145(d) promulgated under the Act.

The undersigned hereby represents to and covenants with the Company and/or [Union Electric] [CIPSCO] that it will not sell, assign or transfer any Securities received by the undersigned in exchange for shares of [CIPSCO Common Stock], [Union Electric Common Stock or Union Electric Preferred Stock] pursuant to the Merger [or upon the exercise of options converted as a result of the Merger] except (i) pursuant to an effective registration statement under the Act, (ii) by a sale made in conformity with the volume and other limitations of Rule 145 (and otherwise in accordance with Rule 144 under the Act if the undersigned is an affiliate of the Company and/or [Union Electric] [CIPSCO] and if so required at the time of such sale) or (iii) in a transaction which, in the opinion of independent counsel reasonably satisfactory to the Company or as described in a "no-action" or interpretive letter from the staff of the Commission, is not required to be registered under the Act.

The undersigned understands that neither Union Electric, CIPSCO nor the Company is under any obligation to register the sale, transfer or other disposition of the Securities by the undersigned or on behalf of the undersigned under the Act or to take any other action necessary in order to make compliance with an exemption from such registration available solely as a result of the Merger.

In the event of a sale of Securities pursuant to Rule 145, the undersigned will supply the Company with evidence of compliance with such Rule, in the form of customary seller's and broker's Rule 145 representation letters or as the Company may otherwise reasonably request. The undersigned understands that the Company may instruct its transfer agent to withhold the transfer of any Securities disposed of by the undersigned in a manner inconsistent with this letter.

The undersigned acknowledges and agrees that appropriate legends will be placed on certificates representing Securities received by the undersigned in the Merger [or upon the exercise of options converted as a result of the Merger,] or held by a transferee thereof, which legends will be removed (i) by delivery of substitute certificates upon receipt of an opinion in form and substance reasonably satisfactory to the Company to the effect that such legends are no longer required for the purposes of the Act and the rules and regulations of the Commission promulgated thereunder or (ii) in the event of a sale of the Securities which has been registered under the Act or made in conformity with the provisions of Rule 145.

The undersigned further represents to, and covenants with the Company that the undersigned will not, during the 30

days prior to the effective time of the Mergers sell, transfer or otherwise dispose of, or reduce any risk relative to, any securities of Union Electric, CIPSCO, or CIPSCO Operating, and the undersigned will not sell, transfer or otherwise dispose of, or reduce any risk relative to, the Securities received by the undersigned in the Merger [or upon the exercise of options converted as a result of the Merger,] or any other shares of the capital stock of Union Electric, CIPSCO or their respective subsidiaries until after such time as results covering at least 30 days of operations of the Company (including the consolidated operations of Union Electric and CIPSCO Operating) have been published by the Company in the form of a quarterly earnings report, an effective registration statement filed with the Commission, a report to the Commission on Form 10-K, 10-Q, or 8-K, or any other public filing or announcement which includes such results of operations.

The undersigned acknowledges that it has carefully reviewed this letter and understands the requirements hereof and the limitations imposed upon the distribution, sale, transfer or other disposition of Securities.

Very truly yours,

Name:

Dated: _____

As an inducement to the above individual to deliver this letter, the Company agrees that for so long as and to the extent necessary to permit such individual to sell the Securities pursuant to Rule 145 and, to the extent applicable, Rule 144 under the Act, the Company shall use all reasonable efforts to file, or shall cause its subsidiaries to file, on a timely basis, all reports and data required to be filed by it with the Commission pursuant to Section 13 of the Securities Exchange Act of 1934.

Very truly yours,

ARCH HOLDING CORP.

By: _____
Name:
Title:

PROJECT LISTING

1996 - 2000 CONSTRUCTION BUDGET

Transmission Planning
7/12/95

1996-2005 CONSTRUCTION BUDGET

<u>Project Description</u>	<u>Est. Date Status</u>	<u>EMIS Proj. IDs</u>
<u>1996</u>		
1. Ashley 138-13.8kV Substation 3rd 56 MVA Transformer 3-138kV PCBs at Ashley Complete relaying related to Hall Str JD Issued: 11-10-92	2-1-96 def 8 mos	87-0524
2. Cahokia 345kV Substation 1-560 MVA 345/138kV Spare Xfmr Cost reimbursed by IP JD Issued: 7-10-95	5-1-96 new item	
3. Chrysler 138-13.8kV Substation Replace 2-56 W/ 2-90 MVA Xfmrs JD Issued: 11-26-94	2-1-96 new item	
4. Hall St 138-34kV Substation 2-112 MVA Transformers 1-138kV PCB sectionalize V-CAMP-1 12- 34kV PCB (2-Xfmr, 2-bus tie, 5-feeder) JD Issued: 10-6-93	5-1-96 no change	87-0549 88-0735
5. Hall St 138-34kV Substation 1-28.8 Mvar, 34kV Cap Bank 1-34kV PCB JD Issued: 10-6-93	5-1-96 no change	
6. Hunter 138-34kV Substation Modify Feeder Position #20 Convert to dual feeder position JD Issued: NA	5-1-96 no change	
7. McClay 138-34kV Substation 1-34kV Feeder Position 1-1200A, 34kV PCB JD Issued: 7-18-94	5-1-96 no change	88-0682

1996-2005 CONSTRUCTION BUDGET

<u>Project Description</u>	<u>Est. Date Status</u>	<u>EMIS Proj. IDs</u>
<u>1996</u> Continued		
8. Miner 161-34kV Substation 1-161kV PCB 1200A - Cost Reimbursed by AECI Include in-out tap of MINR-SIKES JD Issued: 5-23-95	12-1-96 new item	94-0231 94-0232 94-0233 94-0234
9. Roxford 138-34kV Substation 1-138kV PCB & Line Exit 1200A min Supply Circuit Approx. 500 ft. JD Issued: 06-95	01-15-96 new item	
<u>1997</u>		
1. Berntie 161-34kV Substation 1-161kV Circuit Switcher Replace 161kV Xfmr Circuit Switcher 1200A, 20kA Interrupting Capability JD Issued: 4-12-95	5-1-97 new item	95-0039
2. Cahokia-Central-1&2 138kV Recond. 4.5 Mi Dbl Ckt 138kV Upgrade conductor & CTs & disconnect switches @ Cahokia & Central to 1600A JD Issued: 8-10-94	5-1-97 no change	89-1148 89-1167 94-0199
3. California 161-34kV Substation 2nd 37 MVA Transformer Include 34kV bus & 1-34kV Xfmr PCB	5-1-97 no change	87-0530
4. Centralia 69-34kV Substation 1-4.2 Mvar, 34kV Cap Bank 1-34kV Vacuum Switch	5-1-97 no change	89-1099
5. Euclid 138-34kV Substation Modify Feeder Position #19 Convert to dual feeder position JD Issued: NA	12-1-97 def 1 yr	

1996-2005 CONSTRUCTION BUDGET

<u>Project Description</u>	<u>Est. Date Status</u>	<u>EMIS Proj. IDs</u>
<u>1997 Continued</u>		
6. Gasco 138-34kV Substation 1-7.2 Mvar, 34kV Cap Bank Switched in two stages 1-34kV PCB	12-1-97 no change	94-0126
7. Huster 138-34kV Substation 1-34kV Feeder Position 1-1200A, 34kV PCB	5-1-97 no change	88-0667
8. Phelps 138-34kV Substation 2-84MVA Xfmr-Replace Units 1&2	5-1-97 adv 5 yr	90-0164
9. Richland 161-34kV Substation 1-161kV Motor Operator Add Motor Operator to Line Disc Sw JD Issued: 4-12-95	5-1-97 new item	95-0038
10. Sandy Creek 138-34kV Sub 2-112MVA Xfmr-1Mi DblCkt 138kV 1200A minimum 5-34kV PCBs, 2-138kV PCBs JD Revised: 10-31-94	5-1-97 no change	93-0073 93-0134
11. Stoddard-Sikeston 161kV Line 12 Miles 161kV Single Ckt Line 1000A min 2-1200A PCB(1-Stoddard 1-Sikeston) JD Revised: 4-12-95	5-1-97 no change	93-0038 94-0201 94-0202 94-0215
12. Warrenton 161-34kV Substation 2nd 56 MVA Xfmr from Pt. Prar. 1-161kV PCB (bus tie) and 2-34kV Xfmr PCBs	5-1-97 no change	87-0575 87-0576
13. Warrenton 161-34kV Substation 1-14.4 Mvar, 34kV Cap Bank 1-34kV PCB	5-1-97 no change	89-1112

1996-2005 CONSTRUCTION BUDGET

<u>Project Description</u>	<u>Est. Date Status</u>	<u>EMIS Proj. IDs</u>
<u>1998</u>		
1. Belle Area 138-34kV Substation 1-37 MVA Transformer Includes two 34kV feeders and taps to GASC-O-2 and TGLR-O-1 JD Issued: 6-5-89 Site	12-1-98 no change	89-1155 89-1156
2. Delbridge 138-34kV Substation Add Fans to 22 MVA Xfmr Add fans to increase Xfmr rating to 37 MVA	6-1-98 no change	
3. Esther 138-34kV Substation 1-34kV feeder position 1-34kV, 1200A PCB	12-1-98 def 2 yrs	92-0162
4. Farmington-UE 34-12.5kV Sub 1-6 Mvar, 34kV Cap Bank 1-34kV Vacuum Switch	6-1-98 def 1 yr	94-0127
5. Fletcher 161-34kV Substation 1-8.4 Mvar, 34kV Cap Bank 1-34kV PCB	6-1-98 new item	
6. Hunter 138-34kV Substation 34kV Xfmr Low-Side Upgrades 2-4000A Xfmr lo-side PCB & disconnect to replace 2-3000A PCB & disconnects	5-1-98 no change	93-0070
7. Hunter 138-34kV Substation Modify Feeder Position #4 Convert to dual feeder position JD Issued: NA	5-1-98 no change	93-0071
8. Lakeside 138-34kV Substation 1-30 Mvar, 34kV Cap Bank 1-34kV PCB	5-1-98 no change	93-0069

1996-2005 CONSTRUCTION BUDGET

<u>Project Description</u>	<u>Est. Date Status</u>	<u>EMIS Proj. IDs</u>
<u>1998 Continued</u>		
9. Mexico 69-34kV Substation 1-16 Mvar, 34kV Cap Bank 1-34kV PCB	6-1-98 no change	94-0130
10. Pike 161-69kV Substation 1-84 MVA Transformer Remove 33 MVA transformer & replace with 84 MVA	5-1-98 no change	88-0744
11. Viaduct 161-34kV Substation 1-34kV Feeder Position Install PCB on bus #2 for the new supply line to LeFarth Sub	5-1-98 no change	93-0075
12. Watson 138-34kV Substation 1-20 Mvar, 34kV Capacitor Bank 1-1200A, 34kV PCB	5-1-98 no change	90-0124
13. Wedekind 161-34kV Substation 1-34kV Feeder Position Transfer Glenwood feeder from xfmr #1 to xfmr #2	5-1-98 no change	88-0684
14. Zion 138-69kV Substation 1-30 Mvar, 69kV Capacitor Bank 1-69kV PCB	6-1-98 no change	94-0131
<u>1999</u>		
1. Adair 161-69kV Substation 1-18 Mvar, 69kV Capacitor Bank 1-69kV PCB	6-1-99 new item	
2. Arnold 138-34kV Substation 1-34kV Feeder Position 1-1200A, 34kV PCB	5-1-99 def 5 mos	93-0093

1996-2005 CONSTRUCTION BUDGET

<u>Project Description</u>	<u>Est. Date Status</u>	<u>EMIS Proj. IDs</u>
<u>1999</u> Continued		
3. Brookfield 69-34kV Substation 1-7.2 Mvar, 69kV Cap Bank 1-69kV PCB	5-1-99 new item	
4. Mason Area 138-34kV Substation 2-112 MVA Transformers 7-34kV PCB (2-Xfmr, 2-Bus Tie, and 3-Feeders) JD Issued: 7-10-92 Site Only	5-1-99 no change	90-0171 91-0178
5. Mason Area 138-34kV Substation 1-30 Mvar, 34kV Cap Bank 1-34kV PCB	5-1-99 no change	94-0133
6. Maurer Lake 161-69kV Sub 3rd 37 MVA Transformer Install 1-69kV PCB, 2-161kV PCB	5-1-99 def 1 yr	90-0160
7. Moberly 161-69kV Substation 3rd Transformer: 84 MVA Relocate 161kV Xfmr PCBs & add 4-69kV PCB	5-1-99 def 1 yr	88-0738
8. Montgomery 161-69kV Substation 3rd 33 MVA Transformer 1-161kV PCB, 2-69kV PCB 33 MVA Transformer from Pike Sub	5-1-99 def 1 yr	89-1160
9. Moreau 69-34kV Substation Replace 9 MVA w/ 22 MVA Xfmr	12-1-99 no change	90-0123
10. St. Francois-New Bourbon Line 23 Mile 138kV Single Ckt Line 1000A min, to Citizen's Substation 2-138kV PCB at St. Francois JD Issued: 9-2-94	5-1-99 no change	92-0159 92-0189

1996-2005 CONSTRUCTION BUDGET

<u>Project Description</u>	<u>Est. Date Status</u>	<u>EMIS Proj. IDs</u>
<u>1999 Continued</u>		
11. Viburnum 161-34kV Substation 1-8.4 Mvar Cap Bank 1-34kV PCB	6-1-99 new item	
12. Warrenton 161-34kV Substation 1-34kV Feeder Position 1-34kV, 1200A PCB	5-1-99 def 1 yr	90-0169
<u>2000</u>		
1. Baumgartner 138-34kV Sub 1-34kV feeder position 1-1200A 34kV PCB	5-1-00 def 1 yr	93-0076
2. Blanchette 138-34kV Substation 2-112 MVA Transformers 5-34 kV PCB (2-Xfmr, 1-Bus Tie, and 2-34 kV Fdrs), 1-138 kV PCB	5-1-00 no change	89-1164
3. Camden 161-34kV Substation 1-56 MVA Xfmr, 16 miles 161kV 1100A, 3-PCB (1-161,2-138) 1-250 MVA 138/161auto @ Ulman, rec O-Ulman 1100A	12-1-00 no change	87-0558 87-0560
4. Capacity Addition - 50 MW Taum Sauk Runner Upgrade	2000 no change	90-0086
5. Cape Clark 115-34kV Sub Substation Retirement Retire 115-34kV, 56 MVA transformer at Cape Clark	12-1-00 def 2 yrs	
6. Central-Watson-1 138kV Line 0.8 miles of Reconductoring Replace 954 ACSR with 1600A line from MRS L Tap (Twr 55) to Watson Sub	6-1-00 new item	

1996-2005 CONSTRUCTION BUDGET

<u>Project Description</u>	<u>Est. Date Status</u>	<u>EMIS Proj. IDs</u>
<u>2000 Continued</u>		
7. Mason-McClay 138kV Line 15 Miles 138kV Line 8mi-2kA 7mi-1.2kA 3-138kV PCB 1-MASN 2-MCLY add Pilot Relays @ HUST & BELU JD Issued: pending	5-1-00 no change	87-0518 87-0519 87-0520
8. Moreau-Zion 161kV Line Purchase ROW Approximately 9 miles JD Issued: 7-27-93	2000 no change	89-1166
9. Pt Prairie 161-34kV Substation 1-24 Mvar, 34kV Cap Bank 1-1200A, 34kV PCB	5-1-00 no change	-
10. Richland 161-34kV Substation 2nd 56 MVA Xfmr-6mi 161kV Line 2-34kV PCB (1-xfmr, 1-bus tie) 1-161kV PCB @Stoddard-Line:1000A min	5-1-00 adv 2 yrs	87-0571 87-0572 93-0068
11. Sandy Creek 138-34kV Sub 1-34kV feeder position 1-2000A, 34kV PCB	5-1-00 new item	
12. Taum Sauk-Rivermines 1&2 138kV Increase Loading Limit/Rating on Line	2000 no change	93-0125
13. Viaduct 161-34kV Substation 2nd 84 MVA Transformer Replace 161-115kV and 115-34kV 46 MVA Xfmr at Viaduct #1	5-1-00 def 2 yrs	88-0750
14. Watson 138-34kV Substation Add 120 MVA Xfmr as 4th unit Add 2-138kV PCB, 2-34kV PCB Upgrade lo-side bus components	5-1-00 no change	92-0163

DISTRIBUTION PLANT

EAST ST. LOUIS SUBSTATIONS

Ridge
Spare
Lake
Winstanley
Mitchell
French Village
Airport
Plum
Canal
Frey
Parks
National
Bond
Washington Park
Alorton
Broadview
Rosemont
Lansdowne
Fairview
Haydite
Pocket
Edgemont
Fairmont
Summit
Alta
Cahokia Sub #374 (138.0 to 13.8) Distribution only

ALTON SUBSTATIONS

Mississippi
Customer Substations
Hartford
Liberty
Fosterburg
Bethany
Humbert
South Roxana
Belt Line
Spring
Powhatan
Clifton

ILLINOIS ELECTRIC PLANT

12/31/94

EXHIBIT 2
Page 2 of 3

North Alton
Godfrey
Piasa
Rodgers
Alby
Brookside
Arrow Wood

Distribution Line Land and Land rights
Poles and Fixtures
Overhead Conductors and Devices
Conduit
Underground Conductor and Devices
Line Transformer
Services
Meters
Installation on Customer Premises
Street Lighting

GENERAL PLANT

East St. Louis Office
Alton Office
Alton Overhead Center
Microwave Sites
Quincy Transmission Work Headquarters
Office Furniture and Equipment
Transportation Equipment
Stores Equipment
Tools, Shop, and Garage Equipment
Laboratory Equipment
Power Operated Tools
Communications Equipment

PRODUCTION PLANT

Alton Peak Shaving Gas Plant

DISTRIBUTION PLANT

Structures and Improvements

Mains

Regulating Stations

Services

Meters

House Regulators

Industrial Regulating stations

Other Equipment

GENERAL PLANT

Office Furniture and Equipment

Transportation Equipment

Tools, Shop, and Garage Equipment

Laboratory Equipment

Power Operated Tools

Communications Equipment

CIPSCO STOCK OPTION AGREEMENT

STOCK OPTION AGREEMENT, dated as of August 11, 1995 by and between Union Electric Company, a Missouri corporation ("Union Electric"), and CIPSCO Incorporated, an Illinois corporation ("CIPSCO").

WHEREAS, concurrently with the execution and delivery of this Agreement, (i) Union Electric, CIPSCO, Arch Holding Corp., a Missouri corporation ("Holdings") and Arch Merger Inc., a Missouri corporation ("Merger Sub"), are entering into an Agreement and Plan of Merger, dated as of the date hereof (the "Merger Agreement"), which provides, among other things, upon the terms and subject to the conditions thereof, for the merger of Merger Sub with and into Union Electric and the merger of CIPSCO with and into Holdings (the "Mergers"); and

WHEREAS, as a condition to Union Electric's willingness to enter into the Merger Agreement, Union Electric has requested that CIPSCO agree, and CIPSCO has so agreed, to grant to Union Electric an option with respect to certain shares of CIPSCO common stock, on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, to induce Union Electric to enter into the Merger Agreement, and in consideration of the mutual covenants and agreements set forth herein and in the Merger Agreement, the parties hereto agree as follows:

1. *Grant of Option.* CIPSCO hereby grants Union Electric an irrevocable option (the "CIPSCO Option") to purchase up to 6,779,838 shares, subject to adjustment as provided in Section 11 (such shares being referred to herein as the "CIPSCO Shares") of common stock, no par value, of CIPSCO (the "CIPSCO Common Stock") (being 19.9% of the number of shares of CIPSCO Common Stock outstanding on the date hereof) in the manner set forth below at a price (the "Exercise Price") per CIPSCO Share of \$37.02 (which is equal to the product of (x) the Fair Market Value (as defined below) of a share of Common Stock, par value \$5.00 per share, of Union Electric (such shares being referred to herein as the "Union Electric Shares") on the date hereof and (y) the Exchange Ratio), payable, at Union Electric's option, (a) in cash or (b) subject to the receipt of the approvals of any Governmental Authority required for the CIPSCO to acquire the Union Electric Shares from Union Electric, and for Union Electric to issue the Union Electric Shares to CIPSCO, which approvals CIPSCO and Union Electric shall use their respective best efforts to obtain, in Union Electric Shares, in either case in accordance with Section 4 hereof. Notwithstanding the foregoing, in no event shall the

number of CIPSCO Shares for which the CIPSCO Option is exercisable exceed 19.9% of the number of issued and outstanding shares of CIPSCO Common Stock. As used herein, the "Fair Market Value" of any share shall be the average of the daily closing sales price for such share on the New York Stock Exchange (the "NYSE") during the 10 NYSE trading days prior to the fifth NYSE trading day preceding the date such Fair Market Value is to be determined. Capitalized terms used herein but not defined herein shall have the meanings set forth in the Merger Agreement.

2. *Exercise of Option.* The CIPSCO Option may be exercised by Union Electric, in whole or in part, at any time or from time to time after the Merger Agreement becomes terminable by Union Electric under circumstances which could entitle Union Electric to termination fees under either Section 9.3(a) of the Merger Agreement (provided that the events specified in Section 9.3(a)(ii)(x) of the Merger Agreement shall have occurred, although the events specified in Section 9.3(a)(ii)(y) thereof need not have occurred) or Section 9.3(b) of the Merger Agreement (regardless of whether the Merger Agreement is actually terminated or whether there occurs a closing of any Business Combination involving a Target Party or a closing by which a Target Party becomes a subsidiary), or which could entitle Union Electric to terminate the Merger Agreement under Section 9.1(h)(iii) thereof (provided that at the time of such action or inaction by the Board of Directors of CIPSCO or any committee thereof there shall have been a third-party tender offer for shares of, or a third party offer or proposal with respect to a Business Combination involving, CIPSCO which at the time of such action or inaction shall not have been rejected by the Board of Directors of CIPSCO), any such event by which the Merger Agreement becomes so terminable by Union Electric being referred to herein as a "Trigger Event." CIPSCO shall notify Union Electric promptly in writing of the occurrence of any Trigger Event, it being understood that the giving of such notice by CIPSCO shall not be a condition to the right of Union Electric to exercise the CIPSCO Option. In the event Union Electric wishes to exercise the CIPSCO Option, Union Electric shall deliver to CIPSCO a written notice (an "Exercise Notice") specifying the total number of CIPSCO Shares it wishes to purchase. Each closing of a purchase of CIPSCO Shares (a "Closing") shall occur at a place, on a date and at a time designated by Union Electric in an Exercise Notice delivered at least two business days prior to the date of the Closing. The CIPSCO Option shall terminate upon the earlier of: (i) the Effective Time; (ii) the termination of the Merger Agreement pursuant to Section 9.1 thereof (other than upon or during the continuance of a Trigger Event); or (iii) 180 days following

any termination of the Merger Agreement upon or during the continuance of a Trigger Event (or if, at the expiration of such 180 day period the CIPSCO Option cannot be exercised by reason of any applicable judgment, decree, order, law or regulation, 10 business days after such impediment to exercise shall have been removed or shall have become final and not subject to appeal, but in no event under this clause (iii) later than the third anniversary of the date hereof). Notwithstanding the foregoing, the CIPSCO Option may not be exercised if Union Electric is in material breach of any of its material representations or warranties, or in material breach of any of its covenants or agreements, contained in this Agreement or in the Merger Agreement. Upon the giving by Union Electric to CIPSCO of the Exercise Notice and the tender of the applicable aggregate Exercise Price, Union Electric shall be deemed to be the holder of record of the CIPSCO Shares issuable upon such exercise, notwithstanding that the stock transfer books of CIPSCO shall then be closed or that certificates representing such CIPSCO Shares shall not then be actually delivered to Union Electric.

3. *Conditions to Closing.* The obligation of CIPSCO to issue the CIPSCO Shares to Union Electric hereunder is subject to the conditions, which (other than the conditions described in clauses (i), (iii) and (iv) below) may be waived by CIPSCO in its sole discretion, that (i) all waiting periods, if any, under the HSR Act, applicable to the issuance of the CIPSCO Shares hereunder shall have expired or have been terminated; (ii) the CIPSCO Shares, and any Union Electric Shares which are issued in payment of the Exercise Price, shall have been approved for listing on the NYSE upon official notice of issuance; (iii) all consents, approvals, orders or authorizations of, or registrations, declarations or filings with, any federal, state or local administrative agency or commission or other federal state or local Governmental Authority, if any, required in connection with the issuance of the CIPSCO Shares hereunder shall have been obtained or made, as the case may be, including, without limitation, the approval of, if applicable, the issuance of Union Electric Shares to CIPSCO and the acquisition by CIPSCO of the Union Electric Shares constituting the Exercise Price hereunder, and approval of the SEC under the 1935 Act of the acquisition of the CIPSCO Shares by Union Electric; and (iv) no preliminary or permanent injunction or other order by any court of competent jurisdiction prohibiting or otherwise restraining such issuance shall be in effect.

4. Closing. At any Closing, (a) CIPSCO will deliver to Union Electric or its designee a single certificate in definitive form representing the number of the CIPSCO Shares designated by Union Electric in its Exercise Notice, such certificate to be registered in the name of Union Electric and to bear the legend set forth in Section 12, and (b) Union Electric will deliver to CIPSCO the aggregate Exercise Price for the CIPSCO Shares so designated and being purchased by (i) wire transfer of immediately available funds or certified check or bank check or (ii) subject to the condition in Section 1(b), a certificate or certificates representing the number of Union Electric Shares being issued by Union Electric in consideration thereof, as the case may be. For the purposes of this Agreement, the number of Union Electric Shares to be delivered to CIPSCO shall be equal to the quotient obtained by dividing (i) the product of (x) the number of CIPSCO Shares with respect to which the CIPSCO Option is being exercised and (y) the Exercise Price by (ii) the Fair Market Value of the Union Electric Shares on the date immediately preceding the date the Exercise Notice is delivered to CIPSCO. CIPSCO shall pay all expenses, and any and all United States federal, state and local taxes and other charges that may be payable in connection with the preparation, issue and delivery of stock certificates under this Section 4 in the name of Union Electric or such of its designees as shall have obtained appropriate regulatory approval.

5. Representations and Warranties of CIPSCO. CIPSCO represents and warrants to Union Electric that (a) except as set forth in Section 4.1 of the CIPSCO Disclosure Schedule, CIPSCO is a corporation duly organized, validly existing and in good standing under the laws of the State of Illinois and has the corporate power and authority to enter into this Agreement and to carry out its obligations hereunder, (b) the execution and delivery of this Agreement by CIPSCO and the consummation by CIPSCO of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of CIPSCO and no other corporate proceedings on the part of CIPSCO are necessary to authorize this Agreement or any of the transactions contemplated hereby, (c) such corporate action (including the approval of the Board of Directors of CIPSCO) is intended to render inapplicable to this Agreement and the Merger Agreement and the transactions contemplated hereby and thereby, the provisions of the IBCL referred to in Section 4.15 of the Merger Agreement (other than the provisions described in Section 4.15 of the CIPSCO Disclosure Schedule), (d) this Agreement has been duly executed and delivered by CIPSCO, constitutes a valid and binding obligation of CIPSCO and, assuming this Agreement constitutes a valid and binding obligation of Union Electric, is enforceable against CIPSCO in accordance with its terms, (e) CIPSCO has taken all necessary corporate

action to authorize and reserve for issuance and to permit it to issue, upon exercise of the CIPSCO Option, and at all times from the date hereof through the expiration of the CIPSCO Option will have reserved, 6,779,838 authorized and unissued CIPSCO Shares, such amount being subject to adjustment as provided in Section 11, all of which, upon their issuance and delivery in accordance with the terms of this Agreement, will be validly issued, fully paid and nonassessable, (f) upon delivery of the CIPSCO Shares to Union Electric upon the exercise of the CIPSCO Option in accordance with its terms, Union Electric will acquire the CIPSCO Shares free and clear of all claims, liens, charges, encumbrances and security interests of any nature whatsoever, (g) except as described in Section 4.4(b) of the Merger Agreement, the execution and delivery of this Agreement by CIPSCO does not, and the consummation by CIPSCO of the transactions contemplated hereby will not, violate, conflict with, or result in a breach of any provision of, or constitute a default (with or without notice or lapse of time, or both) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination, cancellation, or acceleration of any obligation or the loss of a material benefit under, or the creation of a lien, pledge, security interest or other encumbrance on assets (any such conflict, violation, default, right of termination, cancellation or acceleration, loss or creation, a "Violation") of CIPSCO or any of its subsidiaries, pursuant to, (A) any provision of the Articles of Incorporation or by-laws of CIPSCO, (B) any provisions of any loan or credit agreement, note, mortgage, indenture, lease, CIPSCO benefit plan or other agreement, obligation, instrument, permit, concession, franchise, license or (C) any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to CIPSCO or its properties or assets, which Violation, in the case of each of clauses (B) and (C), could reasonably be expected to have a material adverse effect on CIPSCO and its subsidiaries taken as a whole, (h) except as described in Section 4.4(c) of the Merger Agreement or Section 1(b) or Section 3 hereof, the execution and delivery of this Agreement by CIPSCO does not, and the performance of this Agreement by CIPSCO will not, require any consent, approval, authorization or permit of, or filing with or notification to, any Governmental Authority, (i) none of CIPSCO, any of its affiliates or anyone acting on its or their behalf has issued, sold or offered any security of CIPSCO to any person under circumstances that would cause the issuance and sale of the CIPSCO Shares, as contemplated by this Agreement, to be subject to the registration requirements of the Securities Act as in effect on the date hereof and, assuming the representations of Union Electric contained in Section 6(h) hereof are true and correct, the issuance, sale and delivery of the CIPSCO Shares hereunder would be exempt from the registration and prospectus delivery

requirements of the Securities Act, as in effect on the date hereof (and CIPSCO shall not take any action which would cause the issuance, sale and delivery of the CIPSCO Shares hereunder not to be exempt from such requirements), and (j) any Union Electric Shares acquired pursuant to this Agreement will be acquired for CIPSCO' own account, for investment purposes only and will not be acquired by CIPSCO with a view to the public distribution thereof in violation of any applicable provision of the Securities Act.

6. *Representations and Warranties of Union Electric.* Union Electric represents and warrants to CIPSCO that (a) Union Electric is a corporation duly organized, validly existing and in good standing under the laws of the State of Missouri and has the corporate power and authority to enter into this Agreement and to carry out its obligations hereunder, (b) the execution and delivery of this Agreement by Union Electric and the consummation by Union Electric of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Union Electric and no other corporate proceedings on the part of Union Electric are necessary to authorize this Agreement or any of the transactions contemplated hereby, (c) this Agreement has been duly executed and delivered by Union Electric and constitutes a valid and binding obligation of Union Electric, and, assuming this Agreement constitutes a valid and binding obligation of CIPSCO, is enforceable against Union Electric in accordance with its terms, (d) prior to any delivery of Union Electric Shares in consideration of the purchase of CIPSCO Shares pursuant hereto, Union Electric will have taken all necessary corporate action to authorize for issuance and to permit it to issue such Union Electric Shares, all of which, upon their issuance and delivery in accordance with the terms of this Agreement, will be validly issued, fully paid and nonassessable, and to render inapplicable to the receipt by CIPSCO of the Union Electric Shares the provisions of the MGBCL referred to in Section 5.15 of the Merger Agreement (other than the provisions described in Section 5.15 of the Union Electric Disclosure Schedule), (e) upon any delivery of such Union Electric Shares to CIPSCO in consideration of the purchase of CIPSCO Shares pursuant hereto, CIPSCO will acquire the Union Electric Shares free and clear of all claims, liens, charges, encumbrances and security interests of any nature whatsoever, (f) except as described in Section 5.4(b) of the Merger Agreement, the execution and delivery of this Agreement by Union Electric does not, and the consummation by Union Electric of the transactions contemplated hereby will not, violate, conflict with, or result in the breach of any provision of, or constitute a default (with or without notice or lapse of time, or both) under, or result in any Violation by Union Electric or any of its subsidiaries, pursuant to (A) any provision of the

Restated Articles of Incorporation or By-laws of Union Electric, (B) any provisions of any loan or credit agreement, note, mortgage, indenture, lease, Union Electric benefit plan or other agreement, obligation, instrument, permit, concession, franchise, license or (C) any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to Union Electric or its properties or assets, which Violation, in the case of each of clauses (B) and/or (C), would have a material adverse effect on Union Electric and its subsidiaries taken as a whole, (g) except as described in Section 5.4(c) of the Merger Agreement or Section 1(b) or Section 3 hereof, the execution and delivery of this Agreement by Union Electric does not, and the consummation by Union Electric of the transactions contemplated hereby will not, require any consent, approval, authorization or permit of, or filing with or notification to, any Governmental Authority and (h) any CIPSCO Shares acquired upon exercise of the CIPSCO Option will be acquired for Union Electric's own account, for investment purposes only and will not be, and the CIPSCO Option is not being, acquired by Union Electric with a view to the public distribution thereof in violation of any applicable provision of the Securities Act.

7. *Certain Repurchases.*

(a) *Union Electric Put.* At the request of Union Electric by written notice at any time during which the CIPSCO Option is exercisable pursuant to Section 2 (the "Repurchase Period"), CIPSCO (or any successor entity thereof) shall repurchase from Union Electric all or any portion of the CIPSCO Option, at the price set forth in subparagraph (i) below, or, at the request of Union Electric by written notice at any time prior to August 11, 1997 (provided that such date shall be extended to February 11, 1998 under the circumstances where the date after which either party may terminate the Merger Agreement pursuant to Section 9.1(b) of the Merger Agreement has been extended to February 11, 1998), CIPSCO (or any successor entity thereof) shall repurchase from Union Electric all or any portion of the CIPSCO Shares purchased by Union Electric pursuant to the CIPSCO Option, at the price set forth in subparagraph (ii) below:

(i) the difference between (x) the "Market/Offer Price" for shares of CIPSCO Common Stock as of the date Union Electric gives notice of its intent to exercise its rights under this Section 7 (defined as the higher of (A) the price per share offered as of such date pursuant to any tender or exchange offer or other offer with respect to a Business Combination which was made prior to such date and not terminated or withdrawn as of such date (the "Offer Price") and (B) the Fair Market Value of CIPSCO

Common Stock as of such date (the "Market Price")) and the (y) Exercise Price, multiplied by the number of CIPSCO Shares purchasable pursuant to the CIPSCO Option (or portion thereof with respect to which Union Electric is exercising its rights under this Section 7), but only if the Market/Offer Price is greater than the Exercise Price;

(ii) the product of (x) the sum of (A) the Exercise Price paid by Union Electric per CIPSCO Share acquired pursuant to the CIPSCO Option and (B) the difference between the Market/Offer Price and the Exercise Price, but only if the Market/Offer Price is greater than the Exercise Price, and (y) the number of CIPSCO Shares so to be repurchased pursuant to this Section 7. For purposes of this clause (ii), the Offer Price shall be the highest price per share offered pursuant to a tender or exchange offer or other Business Combination offer during the Repurchase Period prior to the delivery by Union Electric of a notice of repurchase.

(b) *Redelivery of Union Electric Shares.* If Union Electric elected to purchase CIPSCO Shares pursuant to the exercise of the CIPSCO Option by the issuance and delivery of Union Electric Shares, then CIPSCO shall, if so requested by Union Electric, in fulfillment of its obligation pursuant to clause (A) of Section 7(a)(ii)(x) (that is, with respect to the Exercise Price only and without limitation to its obligation to pay additional consideration under clause (B) of Section 7(a)(ii)(x)), redeliver the certificate for such Union Electric Shares to Union Electric, free and clear of all liens, claims, damages, charges and encumbrances of any kind or nature whatsoever; provided, however, that if less than all of the CIPSCO Shares purchased by Union Electric pursuant to the CIPSCO Option are to be repurchased pursuant to this Section 7, then Union Electric shall issue to CIPSCO a new certificate representing those Union Electric Shares which are not due to be redelivered to Union Electric pursuant to this Section 7 as they constituted payment of the Exercise Price for the CIPSCO Shares not being repurchased.

(c) *Payment and Redelivery of CIPSCO Option or Shares.* In the event Union Electric exercises its rights under this Section 7, CIPSCO shall, within 10 business days thereafter, pay the required amount to Union Electric in immediately available funds and Union Electric shall surrender to CIPSCO the CIPSCO Option or the certificates evidencing the CIPSCO Shares purchased by Union Electric pursuant thereto, and Union Electric shall warrant that it owns the CIPSCO Option or such shares and that the CIPSCO Option or such shares are then free

and clear of all liens, claims, damages, charges and encumbrances of any kind or nature whatsoever.

(d) *Union Electric Call.* If Union Electric has elected to purchase CIPSCO Shares pursuant to the exercise of the CIPSCO Option by the issuance and delivery of Union Electric Shares, notwithstanding that Union Electric may no longer hold any such CIPSCO Shares or that Union Electric elects not to exercise its other rights under this Section 7, Union Electric may require, at any time or from time to time prior to August 11, 1997 (provided that such date shall be extended to February 11, 1998 under the circumstances where the date after which either party may terminate the Merger Agreement pursuant to Section 9.1(b) of the Merger Agreement has been extended to February 11, 1998), CIPSCO to sell to Union Electric any such Union Electric Shares at the price attributed to such Union Electric Shares pursuant to Section 4 plus interest at the rate of 7.5% per annum on such amount from the Closing Date relating to the exchange of such Union Electric Shares pursuant to Section 4 to the closing date under this Section 7(d) less any dividends on such Union Electric Shares paid during such period or declared and payable to stockholders of record on a date during such period.

8. *Voting of Shares.* Following the date hereof and prior to the fifth anniversary of the date hereof (the "Expiration Date"), each party shall vote any shares of capital stock of the other party acquired by such party pursuant to this Agreement, including any Union Electric Shares issued pursuant to Section 1(b) ("Restricted Shares") or otherwise beneficially owned (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) by such party on each matter submitted to a vote of shareholders of such other party for and against such matter in the same proportion as the vote of all other shareholders of such other party are voted (whether by proxy or otherwise) for and against such matter.

9. *Restrictions on Transfer.*

(a) *Restrictions on Transfer.* Prior to the Expiration Date, neither party shall, directly or indirectly, by operation of law or otherwise, sell, assign, pledge, or otherwise dispose of or transfer any Restricted Shares beneficially owned by such party, other than (i) pursuant to Section 7, or (ii) in accordance with Section 9(b) or Section 10.

(b) *Permitted Sales.* Following the termination of the Merger Agreement, a party shall be permitted to sell any Restricted Shares beneficially owned by it if such sale is made

pursuant to a tender or exchange offer that has been approved or recommended, or otherwise determined to be fair to and in the best interests of the shareholders of the other party, by a majority of the members of the Board of Directors of such other party, which majority shall include a majority of directors who were directors prior to the announcement of such tender or exchange offer.

10. *Registration Rights.* Following the termination of the Merger Agreement, each party hereto (a "Designated Holder") may by written notice (the "Registration Notice") to the other party (the "Registrant") request the Registrant to register under the Securities Act all or any part of the Restricted Shares beneficially owned by such Designated Holder (the "Registrable Securities") pursuant to a bona fide firm commitment underwritten public offering in which the Designated Holder and the underwriters shall effect as wide a distribution of such Registrable Securities as is reasonably practicable and shall use their best efforts to prevent any person (including any Group (as used in Rule 13d-5 under the Exchange Act)) and its affiliates from purchasing through such offering Restricted Shares representing more than 1% of the outstanding shares of common stock of the Registrant on a fully diluted basis (a "Permitted Offering"). The Registration Notice shall include a certificate executed by the Designated Holder and its proposed managing underwriter, which underwriter shall be an investment banking firm of nationally recognized standing (the "Manager"), stating that (i) they have a good faith intention to commence promptly a Permitted Offering and (ii) the Manager in good faith believes that, based on the then prevailing market conditions, it will be able to sell the Registrable Securities at a per share price equal to at least 80% of the then Fair Market Value of such shares. The Registrant (and/or any person designated by the Registrant) shall thereupon have the option exercisable by written notice delivered to the Designated Holder within 10 business days after the receipt of the Registration Notice, irrevocably to agree to purchase all or any part of the Registrable Securities proposed to be so sold for cash at a price (the "Option Price") equal to the product of (i) the number of Registrable Securities to be so purchased by the Registrant and (ii) the then Fair Market Value of such shares. Any such purchase of Registrable Securities by the Registrant (or its designee) hereunder shall take place at a closing to be held at the principal executive offices of the Registrant or at the offices of its counsel at any reasonable date and time designated by the Registrant and/or such designee in such notice within 20 business days after delivery of such notice. Any payment for the shares to be purchased shall be made by delivery at the time of such closing of the Option Price in immediately available funds.

If the Registrant does not elect to exercise its option pursuant to this Section 10 with respect to all Registrable Securities, it shall use its best efforts to effect, as promptly as practicable, the registration under the Securities Act of the unpurchased Registrable Securities proposed to be so sold; provided, however, that (i) neither party shall be entitled to more than an aggregate of two effective registration statements hereunder and (ii) the Registrant will not be required to file any such registration statement during any period of time (not to exceed 40 days after such request in the case of clause (A) below or 90 days in the case of clauses (B) and (C) below) when (A) the Registrant is in possession of material non-public information which it reasonably believes would be detrimental to be disclosed at such time and, in the opinion of counsel to the Registrant, such information would have to be disclosed if a registration statement were filed at that time; (B) the Registrant is required under the Securities Act to include audited financial statements for any period in such registration statement and such financial statements are not yet available for inclusion in such registration statement; or (C) the Registrant determines, in its reasonable judgment, that such registration would interfere with any financing, acquisition or other material transaction involving the Registrant or any of its affiliates. The Registrant shall use its reasonable best efforts to cause any Registrable Securities registered pursuant to this Section 10 to be qualified for sale under the securities or Blue-Sky laws of such jurisdictions as the Designated Holder may reasonably request and shall continue such registration or qualification in effect in such jurisdiction; provided, however, that the Registrant shall not be required to qualify to do business in, or consent to general service of process in, any jurisdiction by reason of this provision.

The registration rights set forth in this Section 10 are subject to the condition that the Designated Holder shall provide the Registrant with such information with respect to such holder's Registrable Securities, the plans for the distribution thereof, and such other information with respect to such holder as, in the reasonable judgment of counsel for the Registrant, is necessary to enable the Registrant to include in such registration statement all material facts required to be disclosed with respect to a registration thereunder.

A registration effected under this Section 10 shall be effected at the Registrant's expense, except for underwriting discounts and commissions and the fees and the expenses of

counsel to the Designated Holder, and the Registrant shall provide to the underwriters such documentation (including certificates, opinions of counsel and "comfort" letters from auditors) as are customary in connection with underwritten public offerings as such underwriters may reasonably require. In connection with any such registration, the parties agree (i) to indemnify each other and the underwriters in the customary manner, (ii) to enter into an underwriting agreement in form and substance customary for transactions of such type with the Manager and the other underwriters participating in such offering and (iii) to take all further actions which shall be reasonably necessary to effect such registration and sale (including, if the Manager deems it necessary, participating in road-show presentations).

The Registrant shall be entitled to include (at its expense) additional shares of its common stock in a registration effected pursuant to this Section 10 only if and to the extent the Manager determines that such inclusion will not adversely affect the prospects for success of such offering.

11. *Adjustment Upon Changes in Capitalization.* Without limitation to any restriction on CIPSCO contained in this Agreement or in the Merger Agreement, in the event of any change in CIPSCO Common Stock by reason of stock dividends, splitups, mergers (other than the Mergers), recapitalizations, combinations, exchange of shares or the like, the type and number of shares or securities subject to the CIPSCO Option, and the purchase price per share provided in Section 1, shall be adjusted appropriately to restore to Union Electric its rights hereunder, including the right to purchase from CIPSCO (or its successors) shares of CIPSCO Common Stock representing 19.9% of the outstanding CIPSCO Common Stock for the aggregate Exercise Price calculated as of the date of this Agreement as provided in Section 1.

12. *Restrictive Legends.* Each certificate representing shares of CIPSCO Common Stock issued to Union Electric hereunder, and Union Electric Shares, if any, delivered to CIPSCO at a Closing, shall include a legend in substantially the following form:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE
HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF
1933, AS AMENDED, AND MAY BE REOFFERED OR SOLD ONLY
IF SO REGISTERED OR IF AN EXEMPTION FROM SUCH REGIS-
TRATION IS AVAILABLE. SUCH SECURITIES ARE ALSO SUB-
JECT TO ADDITIONAL RESTRICTIONS ON TRANSFER AS SET

FORTH IN THE STOCK OPTION AGREEMENT, DATED AS OF AUGUST 11, 1995, A COPY OF WHICH MAY BE OBTAINED FROM THE ISSUER UPON REQUEST.

It is understood and agreed that: (i) the reference to the resale restrictions of the Securities Act in the above legend shall be removed by delivery of substitute certificate(s) without such reference if Union Electric or CIPSCO, as the case may be, shall have delivered to the other party a copy of a letter from the staff of the Securities and Exchange Commission, or an opinion of counsel, in form and substance satisfactory to the other party, to the effect that such legend is not required for purposes of the Securities Act; (ii) the reference to the provisions of this Agreement in the above legend shall be removed by delivery of substitute certificate(s) without such reference if the shares have been sold or transferred in compliance with the provisions of this Agreement and under circumstances that do not require the retention of such reference; and (iii) the legend shall be removed in its entirety if the conditions in the preceding clauses (i) and (ii) are both satisfied. In addition, such certificates shall bear any other legend as may be required by law. Certificates representing shares sold in a registered public offering pursuant to Section 10 shall not be required to bear the legend set forth in this Section 12.

13. *Binding Effect; No Assignment; No Third Party Beneficiaries.* This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Except as expressly provided for in this Agreement, neither this Agreement nor the rights or the obligations of either party hereto are assignable, except by operation of law, or with the written consent of the other party. Nothing contained in this Agreement, express or implied, is intended to confer upon any person other than the parties hereto and their respective permitted assigns any rights or remedies of any nature whatsoever by reason of this Agreement. Any Restricted Shares sold by a party in compliance with the provisions of Section 10 shall, upon consummation of such sale, be free of the restrictions imposed with respect to such shares by this Agreement, unless and until such party shall repurchase or otherwise become the beneficial owner of such shares, and any transferee of such shares shall not be entitled to the registration rights of such party.

14. *Specific Performance.* The parties recognize and agree that if for any reason any of the provisions of this Agreement are not performed in accordance with their specific terms or are otherwise breached, immediate and irreparable harm or injury would be caused for which money damages would not be an adequate remedy. Accordingly, each party agrees that, in

addition to other remedies, the other party shall be entitled to an injunction restraining any violation or threatened violation of the provisions of this Agreement. In the event that any action should be brought in equity to enforce the provisions of the Agreement, neither party will allege, and each party hereby waives the defense, that there is adequate remedy at law.

15. **Entire Agreement.** This Agreement, the Confidentiality Agreement and the Merger Agreement (including the exhibits and schedules thereto) constitute the entire agreement among the parties with respect to the subject matter hereof and thereof and supersede all other prior agreements and understandings, both written and oral, among the parties or any of them with respect to the subject matter hereof and thereof.

16. **Further Assurances.** Each party will execute and deliver all such further documents and instruments and take all such further action as may be necessary in order to consummate the transactions contemplated hereby.

17. **Validity.** The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of the other provisions of this Agreement, which shall remain in full force and effect. In the event any court or other competent authority holds any provisions of this Agreement to be null, void or unenforceable, the parties hereto shall negotiate in good faith the execution and delivery of an amendment to this Agreement in order, as nearly as possible, to effectuate, to the extent permitted by law, the intent of the parties hereto with respect to such provision and the economic effects thereof. If for any reason any such court or regulatory agency determines that Union Electric is not permitted to acquire, or CIPSCO is not permitted to repurchase pursuant to Section 7, the full number of shares of CIPSCO Common Stock provided in Section 1 hereof (as the same may be adjusted), it is the express intention of CIPSCO to allow Union Electric to acquire or to require CIPSCO to repurchase such lesser number of shares as may be permissible, without any amendment or modification hereof. Each party agrees that, should any court or other competent authority hold any provision of this Agreement or part hereof to be null, void or unenforceable, or order any party to take any action inconsistent herewith, or not take any action required herein, the other party shall not be entitled to specific performance of such provision or part hereof or to any other remedy, including but not limited to money damages, for breach hereof or of any other provision of this Agreement or part hereof as the result of such holding or order.

18. Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if (i) delivered personally, or (ii) sent by reputable overnight courier service, or (iii) telecopied (which is confirmed), or (iv) five days after being mailed by registered or certified mail (return receipt requested) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

A. If to Union Electric, to:

Union Electric Company
1901 Chouteau Avenue
P.O. Box 149
St. Louis, MO 63166

Attention: Donald E. Brandt
Telephone: (314) 554-2473
Telecopy: (314) 554-3066

and a copy to:

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, NY 10019

Attention: Seth A. Kaplan, Esq.
Telephone: (212) 403-1000
Telecopy: (212) 403-2000

B. If to CIPSCO, to:

CIPSCO Incorporated
607 East Adams Street
Springfield, IL 62739

Attention: Craig D. Nelson
Telephone: (217) 525-5315
Telecopy: (217) 535-5067

with a copy to:

Jones, Day, Reavis & Pogue
77 West Wacker Drive
Chicago, IL 60601-1692

Attention: Robert A. Yolles
Telephone: (312) 782-3939
Telecopy: (312) 782-8585

19. *Governing Law; Choice of Forum.* This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed entirely within such State and without regard to its choice of law principles. Each of the parties hereto (a) consents to submit itself to the personal jurisdiction of any federal court located in the State of New York or any New York state court in the event any dispute arises out of this Agreement or any of the transactions contemplated by this Agreement, (b) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court and (c) agrees that it will not bring any action relating to this Agreement or any of the transactions contemplated by this Agreement in any court other than a federal court sitting in the State of New York or a New York state court.

20. *Interpretation.* When a reference is made in this Agreement to a Section such reference shall be to a Section of this Agreement unless otherwise indicated. Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation". The descriptive headings herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

21. *Counterparts.* This Agreement may be executed in two counterparts, each of which shall be deemed to be an original, but both of which, taken together, shall constitute one and the same instrument.

22. *Expenses.* Except as otherwise expressly provided herein or in the Merger Agreement, all costs and expenses incurred in connection with the transactions contemplated by this Agreement shall be paid by the party incurring such expenses.

23. *Amendments; Waiver.* This Agreement may be amended by the parties hereto and the terms and conditions hereof may be waived only by an instrument in writing signed on behalf of each of the parties hereto, or, in the case of a waiver, by an instrument signed on behalf of the party waiving compliance.

24. *Extension of Time Periods.* The time periods for exercise of certain rights under Sections 2, 6 and 7 shall be extended: (i) to the extent necessary to obtain all regulatory approvals for the exercise of such rights, and for the expiration of all statutory waiting periods; and (ii) to the extent

necessary to avoid any liability under Section 16(b) of the Exchange Act by reason of such exercise.

25. *Replacement of CIPSCO Option.* Upon receipt by CIPSCO of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Agreement, and (in the case of loss, theft or destruction) of reasonably satisfactory indemnification, and upon surrender and cancellation of this Agreement, if mutilated, CIPSCO will execute and deliver a new Agreement of like tenor and date.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized officers as of the date first above written.

UNION ELECTRIC COMPANY

By: /s/ Charles W. Mueller
Name: Charles W. Mueller
Title: President

CIPSCO INCORPORATED

By: /s/ Clifford L. Greenwalt
Name: Clifford L. Greenwalt
Title: President

UNION ELECTRIC COMPANY STOCK OPTION AGREEMENT

STOCK OPTION AGREEMENT, dated as of August 11, 1995 by and between Union Electric Company, a Missouri corporation ("Union Electric"), and CIPSCO Incorporated, an Illinois corporation ("CIPSCO").

WHEREAS, concurrently with the execution and delivery of this Agreement, (i) Union Electric, CIPSCO, Union Electric Holding Corp., a Missouri corporation ("Holdings") and Union Electric Merger Inc., a Missouri corporation ("Merger Sub"), are entering into an Agreement and Plan of Merger, dated as of the date hereof (the "Merger Agreement"), which provides, among other things, upon the terms and subject to the conditions thereof, for the merger of Merger Sub with and into Union Electric and the merger of Holdings with and into CIPSCO (the "Mergers"); and

WHEREAS, as a condition to CIPSCO's willingness to enter into the Merger Agreement, CIPSCO has requested that Union Electric agree, and Union Electric has so agreed, to grant to CIPSCO an option with respect to certain shares of Union Electric's common stock, on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, to induce CIPSCO to enter into the Merger Agreement, and in consideration of the mutual covenants and agreements set forth herein and in the Merger Agreement, the parties hereto agree as follows:

1. **Grant of Option.** Union Electric hereby grants CIPSCO an irrevocable option (the "Union Electric Option") to purchase up to 6,983,233 shares, subject to adjustment as provided in Section 11 (such shares being referred to herein as the "Union Electric Shares") of common stock, par value \$5.00 per share, of Union Electric (the "Union Electric Common Stock") (being 6.84% of the number of shares of Union Electric Common Stock outstanding on the date hereof) in the manner set forth below at a price (the "Exercise Price") per Union Electric Share of \$35.94 (which is equal to the Fair Market Value (as defined below) of a share of Union Electric Common Stock on the date hereof), payable, at CIPSCO's option, (a) in cash or (b) subject to the receipt of approvals of any Governmental Authority required for Union Electric to acquire shares of common stock, no par value per share, of CIPSCO ("CIPSCO Shares") from CIPSCO, and for CIPSCO to issue the CIPSCO Shares to Union Electric, which approvals Union Electric and CIPSCO shall use their respective best efforts to obtain, in CIPSCO Shares, in

either case in accordance with Section 4 hereof. Notwithstanding the foregoing, in no event shall the number of Union Electric Shares for which the Union Electric Option is exercisable exceed 5.48% of the number of issued and outstanding shares of Union Electric Common Stock. As used herein, the "Fair Market Value" of any share shall be the average of the daily closing sales price for such share on the New York Stock Exchange (the "NYSE") during the 10 NYSE trading days prior to the fifth NYSE trading day preceding the date such Fair Market Value is to be determined. Capitalized terms used herein but not defined herein shall have the meanings set forth in the Merger Agreement.

2. *Exercise of Option.* The Union Electric Option may be exercised by CIPSCO, in whole or in part, at any time or from time to time after the Merger Agreement becomes terminable by CIPSCO under circumstances which could entitle CIPSCO to termination fees under either Section 9.3(a) of the Merger Agreement (provided that the events specified in Section 9.3(a)(ii)(x) of the Merger Agreement shall have occurred, although the events specified in Section 9.3(a)(ii)(y) thereof need not have occurred) or Section 9.3(b) of the Merger Agreement (regardless of whether the Merger Agreement is actually terminated or whether there occurs a closing of any Business Combination involving a Target Party or a closing by which a Target Party becomes a subsidiary), or which could entitle CIPSCO to terminate the Merger Agreement under Section 9.1(g)(iii) thereof (provided that at the time of such action or inaction by the Board of Directors of Union Electric or any committee thereof there shall have been a third-party tender offer for shares of, or a third party offer or proposal with respect to a Business Combination involving, Union Electric which at the time of such action or inaction shall not have been rejected by the Board of Directors of Union Electric); any such event by which the Merger Agreement becomes so terminable by CIPSCO being referred to herein as a "Trigger Event." Union Electric shall notify CIPSCO promptly in writing of the occurrence of any Trigger Event, it being understood that the giving of such notice by Union Electric shall not be a condition to the right of CIPSCO to exercise the Union Electric Option. In the event CIPSCO wishes to exercise the Union Electric Option, CIPSCO shall deliver to Union Electric a written notice (an "Exercise Notice") specifying the total number of Union Electric Shares it wishes to purchase. Each closing of a purchase of Union Electric Shares (a "Closing") shall occur at a place, on a date and at a time designated by CIPSCO in an Exercise Notice delivered at least two business days prior to the date of the Closing. The Union Electric Option shall terminate upon the earlier of: (i) the Effective Time; (ii) the termination of the Merger Agreement pursuant to

Section 9.1 thereof (other than upon or during the continuance of a Trigger Event); or (iii) 180 days following any termination of the Merger Agreement upon or during the continuance of a Trigger Event (or if, at the expiration of such 180 day period the Union Electric Option cannot be exercised by reason of any applicable judgment, decree, order, law or regulation, 10 business days after such impediment to exercise shall have been removed or shall have become final and not subject to appeal, but in no event under this clause (iii) later than the third anniversary of the date hereof). Notwithstanding the foregoing, the Union Electric Option may not be exercised if CIPSCO is in material breach of any of its material representations or warranties, or in material breach of any of its covenants or agreements, contained in this Agreement or in the Merger Agreement. Upon the giving by CIPSCO to Union Electric of the Exercise Notice and the tender of the applicable aggregate Exercise Price, CIPSCO shall be deemed to be the holder of record of the Union Electric Shares issuable upon such exercise, notwithstanding that the stock transfer books of Union Electric shall then be closed or that certificates representing such Union Electric Shares shall not then be actually delivered to CIPSCO.

3. *Conditions to Closing.* The obligation of Union Electric to issue the Union Electric Shares to CIPSCO hereunder is subject to the conditions, which (other than the conditions described in clauses (i), (iii) and (iv) below) may be waived by Union Electric in its sole discretion, that (i) all waiting periods, if any, under the HSR Act, applicable to the issuance of the Union Electric Shares hereunder shall have expired or have been terminated; (ii) the Union Electric Shares, and any CIPSCO Shares which are issued in payment of the Exercise Price, shall have been approved for listing on the NYSE upon official notice of issuance; (iii) all consents, approvals, orders or authorizations of, or registrations, declarations or filings with, any federal, state or local administrative agency or commission or other federal state or local Governmental Authority, if any, required in connection with the issuance of the Union Electric Shares hereunder shall have been obtained or made, as the case may be, including, without limitation, the approval of, if applicable, the issuance of the CIPSCO Shares to Union Electric and the acquisition by Union Electric of the CIPSCO Shares constituting the Exercise Price hereunder, and approval of the SEC under the 1935 Act of the acquisition of the Union Electric Shares by CIPSCO; and (iv) no preliminary or permanent injunction or other order by any court of competent jurisdiction prohibiting or otherwise restraining such issuance shall be in effect.

4. *Closing.* At any Closing, (a) Union Electric will deliver to CIPSCO or its designee a single certificate in definitive form representing the number of the Union Electric Shares designated by CIPSCO in its Exercise Notice, such certificate to be registered in the name of CIPSCO and to bear the legend set forth in Section 12, and (b) CIPSCO will deliver to Union Electric the aggregate Exercise Price for the Union Electric Shares so designated and being purchased by (i) wire transfer of immediately available funds or certified check or bank check or (ii) subject to the condition in Section 1(b), a certificate or certificates representing the number of CIPSCO Shares being issued by CIPSCO in consideration thereof, as the case may be. For the purposes of this Agreement, the number of CIPSCO Shares to be delivered to Union Electric shall be equal to the quotient obtained by dividing (i) the product of (x) the number of Union Electric Shares with respect to which the Union Electric Option is being exercised and (y) the Exercise Price by (ii) the Fair Market Value of the CIPSCO Shares on the date immediately preceding the date the Exercise Notice is delivered to Union Electric. Union Electric shall pay all expenses, and any and all United States federal, state and local taxes and other charges that may be payable in connection with the preparation, issue and delivery of stock certificates under this Section 4 in the name of CIPSCO or such designees of CIPSCO as shall have obtained appropriate regulatory approval.

5. *Representations and Warranties of Union Electric.* Union Electric represents and warrants to CIPSCO that (a) except as set forth in Section 5.1 of the Union Electric Disclosure Schedule, Union Electric is a corporation duly organized, validly existing and in good standing under the laws of the State of Illinois and has the corporate power and authority to enter into this Agreement and to carry out its obligations hereunder, (b) the execution and delivery of this Agreement by Union Electric and the consummation by Union Electric of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Union Electric and no other corporate proceedings on the part of Union Electric are necessary to authorize this Agreement or any of the transactions contemplated hereby, (c) such corporate action (including the approval of the Board of Directors of Union Electric) is intended to render inapplicable to this Agreement and the Merger Agreement and the transactions contemplated hereby and thereby, the provisions of the MGBCL referred to in Section 5.15 of the Merger Agreement (other than the provisions described in Section 5.15 of the Union Electric Disclosure Schedule), (d) this Agreement has been duly executed and delivered by Union Electric, constitutes a valid and binding obligation of Union Electric and, assuming this Agreement constitutes a valid and binding obligation of CIPSCO, is enforceable

against Union Electric in accordance with its terms, (e) Union Electric has taken all necessary corporate action to authorize and reserve for issuance and to permit it to issue, upon exercise of the Union Electric Option in accordance with its terms, and at all times from the date hereof through the expiration of the Union Electric Option will have reserved, 6,983,233 authorized and unissued Union Electric Shares, such amount being subject to adjustment as provided in Section 11, all of which, upon their issuance and delivery in accordance with the terms of this Agreement, will be validly issued, fully paid and non-assessable, (f) upon delivery of the Union Electric Shares to CIPSCO upon the exercise of the Union Electric Option in accordance with its terms, CIPSCO will acquire the Union Electric Shares free and clear of all claims, liens, charges, encumbrances and security interests of any nature whatsoever, (g) except as described in Section 5.4(b) of the Merger Agreement, the execution and delivery of this Agreement by Union Electric does not, and the consummation by Union Electric of the transactions contemplated hereby will not, violate, conflict with, or result in a breach of any provision of, or constitute a default (with or without notice or lapse of time, or both) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination, cancellation, or acceleration of any obligation or the loss of a material benefit under, or the creation of a lien, pledge, security interest or other encumbrance on assets (any such conflict, violation, default, right of termination, cancellation or acceleration, loss or creation, a "Violation") of Union Electric or any of its subsidiaries, pursuant to, (A) any provision of the Restated Articles of Incorporation or by-laws of Union Electric, (B) any provisions of any loan or credit agreement, note, mortgage, indenture, lease, Union Electric benefit plan or other agreement, obligation, instrument, permit, concession, franchise, license or (C) any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to Union Electric or its properties or assets, which Violation, in the case of each of clauses (B) and (C), could reasonably be expected to have a material adverse effect on Union Electric and its subsidiaries taken as a whole, (h) except as described in Section 5.4(c) of the Merger Agreement or Section 1(b) or Section 3 hereof, the execution and delivery of this Agreement by Union Electric does not, and the performance of this Agreement by Union Electric will not, require any consent, approval, authorization or permit of, or filing with or notification to, any Governmental Authority, (i) none of Union Electric, any of its affiliates or anyone acting on its or their behalf has issued, sold or offered any security of Union Electric to any person under circumstances that would cause the issuance and sale of the Union Electric Shares, as contemplated by this Agreement,

to be subject to the registration requirements of the Securities Act as in effect on the date hereof and, assuming the representations of CIPSCO contained in Section 6(h) hereof are true and correct, the issuance, sale and delivery of the Union Electric Shares hereunder would be exempt from the registration and prospectus delivery requirements of the Securities Act, as in effect on the date hereof (and Union Electric shall not take any action which would cause the issuance, sale and delivery of the Union Electric Shares hereunder not to be exempt from such requirements), and (j) any CIPSCO Shares acquired pursuant to this Agreement will be acquired for Union Electric' own account, for investment purposes only and will not be acquired by Union Electric with a view to the public distribution thereof in violation of any applicable provision of the Securities Act.

6. *Representations and Warranties of CIPSCO.* CIPSCO represents and warrants to Union Electric that (a) CIPSCO is a corporation duly organized, validly existing and in good standing under the laws of the State of Missouri and has the corporate power and authority to enter into this Agreement and to carry out its obligations hereunder, (b) the execution and delivery of this Agreement by CIPSCO and the consummation by CIPSCO of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of CIPSCO and no other corporate proceedings on the part of CIPSCO are necessary to authorize this Agreement or any of the transactions contemplated hereby, (c) this Agreement has been duly executed and delivered by CIPSCO and constitutes a valid and binding obligation of CIPSCO, and, assuming this Agreement constitutes a valid and binding obligation of Union Electric, is enforceable against CIPSCO in accordance with its terms, (d) prior to any delivery of CIPSCO Shares in consideration of the purchase of Union Electric Shares pursuant hereto, CIPSCO will have taken all necessary corporate action to authorize for issuance and to permit it to issue such CIPSCO Shares, all of which, upon their issuance and delivery in accordance with the terms of this Agreement, will be validly issued, fully paid and nonassessable, and to render inapplicable to the receipt by Union Electric of the CIPSCO Shares the provisions of the MGBCL referred to in Section 4.15 of the Merger Agreement (other than the provisions described in Section 4.15 of the CIPSCO Disclosure Schedule), (e) upon any delivery of such CIPSCO Shares to Union Electric in consideration of the purchase of Union Electric Shares pursuant hereto, Union Electric will acquire the CIPSCO Shares free and clear of all claims, liens, charges, encumbrances and security interests of any nature whatsoever, (f) except as described in Section 4.4(b) of the Merger Agreement, the execution and delivery of this Agreement by CIPSCO does not, and the consummation by CIPSCO of the transactions contemplated hereby will not, violate, conflict with, or result

in the breach of any provision of, or constitute a default (with or without notice or lapse of time, or both) under, or result in any Violation by CIPSCO or any of its subsidiaries, pursuant to (A) any provision of the Articles of Incorporation or By-laws of CIPSCO, (B) any provisions of any loan or credit agreement, note, mortgage, indenture, lease, CIPSCO benefit plan or other agreement, obligation, instrument, permit, concession, franchise, license or (C) any judgment, order, decree, statute, law, ordinance, rule or regulation applicable to CIPSCO or its properties or assets, which Violation, in the case of each of clauses (B) and/or (C), would have a material adverse effect on CIPSCO and its subsidiaries taken as a whole, (g) except as described in Section 4.4(c) of the Merger Agreement or Section 1(b) or Section 3 hereof, the execution and delivery of this Agreement by CIPSCO does not, and the consummation by CIPSCO of the transactions contemplated hereby will not, require any consent, approval, authorization or permit of, or filing with or notification to, any Governmental Authority and (h) any CIPSCO Shares acquired upon exercise of the Union Electric Option will be acquired for CIPSCO's own account, for investment purposes only and will not be, and the Union Electric Option is not being, acquired by CIPSCO with a view to the public distribution thereof in violation of any applicable provision of the Securities Act.

7. Certain Repurchases.

(a) CIPSCO Put. At the request of CIPSCO by written notice at any time during which the Union Electric Option is exercisable pursuant to Section 2 (the "Repurchase Period"), Union Electric (or any successor entity thereof) shall repurchase from CIPSCO all or any portion of the Union Electric Option, at the price set forth in subparagraph (i) below, or, at the request of CIPSCO by written notice at any time prior to August 11, 1997 (provided that such date shall be extended to February 11, 1998 under the circumstances where the date after which either party may terminate the Merger Agreement pursuant to Section 9.1(b) of the Merger Agreement has been extended to February 11, 1998), Union Electric (or any successor entity thereof) shall repurchase from CIPSCO all or any portion of the Union Electric Shares purchased by CIPSCO pursuant to the Union Electric Option, at the price set forth in subparagraph (ii) below:

(i) the difference between (x) the "Market/Offer Price" for shares of Union Electric Common Stock as of the date CIPSCO gives notice of its intent to exercise its rights under this Section 7 (defined as the higher of (A) the price per share offered as of such date pursuant to any tender or exchange offer or other offer with respect

to a Business Combination which was made prior to such date and not terminated or withdrawn as of such date (the "Offer Price") and (B) the Fair Market Value of Union Electric Common Stock as of such date (the "Market Price")) and the (y) Exercise Price, multiplied by the number of Union Electric Shares purchasable pursuant to the Union Electric Option (or portion thereof with respect to which CIPSCO is exercising its rights under this Section 7), but only if the Market/Offer Price is greater than the Exercise Price;

(ii) the product of (x) the sum of (A) the Exercise Price paid by CIPSCO per Union Electric Share acquired pursuant to the Union Electric Option and (B) the difference between the Market/Offer Price and the Exercise Price, but only if the Market/Offer Price is greater than the Exercise Price, and (y) the number of Union Electric Shares so to be repurchased pursuant to this Section 7. For purposes of this clause (ii), the Offer Price shall be the highest price per share offered pursuant to a tender or exchange offer or other Business Combination offer during the Repurchase Period prior to the delivery by CIPSCO of a notice of repurchase.

(b) *Redelivery of CIPSCO Shares.* If CIPSCO elected to purchase Union Electric Shares pursuant to the exercise of the Union Electric Option by the issuance and delivery of CIPSCO Shares, then Union Electric shall, if so requested by CIPSCO, in fulfillment of its obligation pursuant to clause (A) of Section 7(a)(ii)(x) (that is, with respect to the Exercise Price only and without limitation to its obligation to pay additional consideration under clause (B) of Section 7(a)(ii)(x)), redeliver the certificate for such CIPSCO Shares to CIPSCO, free and clear of all liens, claims, damages, charges and encumbrances of any kind or nature whatsoever; provided, however, that if less than all of the Union Electric Shares purchased by CIPSCO pursuant to the Union Electric Option are to be repurchased pursuant to this Section 7, then CIPSCO shall issue to Union Electric a new certificate representing those CIPSCO Shares which are not due to be redelivered to CIPSCO pursuant to this Section 7 as they constituted payment of the Exercise Price for the Union Electric Shares not being repurchased.

(c) *Payment and Redelivery of Union Electric Option or Shares.* In the event CIPSCO exercises its rights under this Section 7, Union Electric shall, within 10 business days thereafter, pay the required amount to CIPSCO in immediately available funds and CIPSCO shall surrender to Union Electric the Union Electric Option or the certificates evidencing the Union

Electric Shares purchased by CIPSCO pursuant thereto, and CIPSCO shall warrant that it owns the Union Electric Option or such shares and that the Union Electric Option or such shares are then free and clear of all liens, claims, damages, charges and encumbrances of any kind or nature whatsoever.

(d) CIPSCO Call. If CIPSCO has elected to purchase CIPSCO Shares pursuant to the exercise of the Union Electric Option by the issuance and delivery of CIPSCO Shares, notwithstanding that CIPSCO may no longer hold any such Union Electric Shares or that CIPSCO elects not to exercise its other rights under this Section 7, CIPSCO may require, at any time or from time to time prior to August 11, 1997 (provided that such date shall be extended to February 11, 1998 under the circumstances where the date after which either party may terminate the Merger Agreement pursuant to Section 9.1(b) of the Merger Agreement has been extended to February 11, 1998), Union Electric to sell to CIPSCO any such CIPSCO Shares at the price attributed to such CIPSCO Shares pursuant to Section 4 plus interest at the rate of 7.5% per annum on such amount from the Closing Date relating to the exchange of such CIPSCO Shares pursuant to Section 4 to the closing date under this Section 7(d) less any dividends on such CIPSCO Shares paid during such period or declared and payable to stockholders of record on a date during such period.

8. Voting of Shares. Following the date hereof and prior to the fifth anniversary of the date hereof (the "Expiration Date"), each party shall vote any shares of capital stock of the other party acquired by such party pursuant to this Agreement, including any CIPSCO Shares issued pursuant to Section 1(b) ("Restricted Shares") or otherwise beneficially owned (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) by such party on each matter submitted to a vote of shareholders of such other party for and against such matter in the same proportion as the vote of all other shareholders of such other party are voted (whether by proxy or otherwise) for and against such matter.

9. Restrictions on Transfer.

(a) Restrictions on Transfer. Prior to the Expiration Date, neither party shall, directly or indirectly, by operation of law or otherwise, sell, assign, pledge, or otherwise dispose of or transfer any Restricted Shares beneficially owned by such party, other than (i) pursuant to Section 7, or (ii) in accordance with Section 9(b) or Section 10.

(b) *Permitted Sales.* Following the termination of the Merger Agreement, a party shall be permitted to sell any Restricted Shares beneficially owned by it if such sale is made pursuant to a tender or exchange offer that has been approved or recommended, or otherwise determined to be fair to and in the best interests of the shareholders of the other party, by a majority of the members of the Board of Directors of such other party, which majority shall include a majority of directors who were directors prior to the announcement of such tender or exchange offer.

10. *Registration Rights.* Following the termination of the Merger Agreement, each party hereto (a "Designated Holder") may by written notice (the "Registration Notice") to the other party (the "Registrant") request the Registrant to register under the Securities Act all or any part of the Restricted Shares beneficially owned by such Designated Holder (the "Registrable Securities") pursuant to a bona fide firm commitment underwritten public offering in which the Designated Holder and the underwriters shall effect as wide a distribution of such Registrable Securities as is reasonably practicable and shall use their best efforts to prevent any person (including any Group (as used in Rule 13d-5 under the Exchange Act)) and its affiliates from purchasing through such offering Restricted Shares representing more than 1% of the outstanding shares of common stock of the Registrant on a fully diluted basis (a "Permitted Offering"). The Registration Notice shall include a certificate executed by the Designated Holder and its proposed managing underwriter, which underwriter shall be an investment banking firm of nationally recognized standing (the "Manager"), stating that (i) they have a good faith intention to commence promptly a Permitted Offering and (ii) the Manager in good faith believes that, based on the then prevailing market conditions, it will be able to sell the Registrable Securities at a per share price equal to at least 80% of the then Fair Market Value of such shares. The Registrant (and/or any person designated by the Registrant) shall thereupon have the option exercisable by written notice delivered to the Designated Holder within 10 business days after the receipt of the Registration Notice, irrevocably to agree to purchase all or any part of the Registrable Securities proposed to be so sold for cash at a price (the "Option Price") equal to the product of (i) the number of Registrable Securities to be so purchased by the Registrant and (ii) the then Fair Market Value of such shares. Any such purchase of Registrable Securities by the Registrant (or its designee) hereunder shall take place at a closing to be held at the principal executive offices of the Registrant or at the offices of its counsel at any reasonable date and time designated by the Registrant and/or such designee in such notice within 20 business days after delivery of such notice. Any

payment for the shares to be purchased shall be made by delivery at the time of such closing of the Option Price in immediately available funds.

If the Registrant does not elect to exercise its option pursuant to this Section 10 with respect to all Registrable Securities, it shall use its best efforts to effect, as promptly as practicable, the registration under the Securities Act of the unpurchased Registrable Securities proposed to be so sold; provided, however, that (i) neither party shall be entitled to more than an aggregate of two effective registration statements hereunder and (ii) the Registrant will not be required to file any such registration statement during any period of time (not to exceed 40 days after such request in the case of clause (A) below or 90 days in the case of clauses (B) and (C) below) when (A) the Registrant is in possession of material non-public information which it reasonably believes would be detrimental to be disclosed at such time and, in the opinion of counsel to the Registrant, such information would have to be disclosed if a registration statement were filed at that time; (B) the Registrant is required under the Securities Act to include audited financial statements for any period in such registration statement and such financial statements are not yet available for inclusion in such registration statement; or (C) the Registrant determines, in its reasonable judgment, that such registration would interfere with any financing, acquisition or other material transaction involving the Registrant or any of its affiliates. The Registrant shall use its reasonable best efforts to cause any Registrable Securities registered pursuant to this Section 10 to be qualified for sale under the securities or Blue-Sky laws of such jurisdictions as the Designated Holder may reasonably request and shall continue such registration or qualification in effect in such jurisdiction; provided, however, that the Registrant shall not be required to qualify to do business in, or consent to general service of process in, any jurisdiction by reason of this provision.

The registration rights set forth in this Section 10 are subject to the condition that the Designated Holder shall provide the Registrant with such information with respect to such holder's Registrable Securities, the plans for the distribution thereof, and such other information with respect to such holder as, in the reasonable judgment of counsel for the Registrant, is necessary to enable the Registrant to include in such registration statement all material facts required to be disclosed with respect to a registration thereunder.

A registration effected under this Section 10 shall be effected at the Registrant's expense, except for underwriting discounts and commissions and the fees and the expenses of counsel to the Designated Holder, and the Registrant shall provide to the underwriters such documentation (including certificates, opinions of counsel and "comfort" letters from auditors) as are customary in connection with underwritten public offerings as such underwriters may reasonably require. In connection with any such registration, the parties agree (i) to indemnify each other and the underwriters in the customary manner, (ii) to enter into an underwriting agreement in form and substance customary for transactions of such type with the Manager and the other underwriters participating in such offering and (iii) to take all further actions which shall be reasonably necessary to effect such registration and sale (including, if the Manager deems it necessary, participating in road-show presentations).

The Registrant shall be entitled to include (at its expense) additional shares of its common stock in a registration effected pursuant to this Section 10 only if and to the extent the Manager determines that such inclusion will not adversely affect the prospects for success of such offering.

11. *Adjustment Upon Changes in Capitalization.* Without limitation to any restriction on Union Electric contained in this Agreement or in the Merger Agreement, in the event of any change in Union Electric Common Stock by reason of stock dividends, splitups, mergers (other than the Mergers), recapitalizations, combinations, exchange of shares or the like, the type and number of shares or securities subject to the Union Electric Option, and the purchase price per share provided in Section 1, shall be adjusted appropriately to restore to CIPSCO its rights hereunder, including the right to purchase from Union Electric (or its successors) shares of Union Electric Common Stock representing 6.84% of the outstanding Union Electric Common Stock for the aggregate Exercise Price calculated as of the date of this Agreement as provided in Section 1.

12. *Restrictive Legends.* Each certificate representing shares of Union Electric Common Stock issued to CIPSCO hereunder, and CIPSCO Shares, if any, delivered to Union Electric at a Closing, shall include a legend in substantially the following form:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE
HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF
1933, AS AMENDED, AND MAY BE REOFFERED OR SOLD ONLY

IF SO REGISTERED OR IF AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE. SUCH SECURITIES ARE ALSO SUBJECT TO ADDITIONAL RESTRICTIONS ON TRANSFER AS SET FORTH IN THE STOCK OPTION AGREEMENT, DATED AS OF AUGUST 11, 1995, A COPY OF WHICH MAY BE OBTAINED FROM THE ISSUER UPON REQUEST.

It is understood and agreed that: (i) the reference to the resale restrictions of the Securities Act in the above legend shall be removed by delivery of substitute certificate(s) without such reference if CIPSCO or Union Electric, as the case may be, shall have delivered to the other party a copy of a letter from the staff of the Securities and Exchange Commission, or an opinion of counsel, in form and substance satisfactory to the other party, to the effect that such legend is not required for purposes of the Securities Act; (ii) the reference to the provisions of this Agreement in the above legend shall be removed by delivery of substitute certificate(s) without such reference if the shares have been sold or transferred in compliance with the provisions of this Agreement and under circumstances that do not require the retention of such reference; and (iii) the legend shall be removed in its entirety if the conditions in the preceding clauses (i) and (ii) are both satisfied. In addition, such certificates shall bear any other legend as may be required by law. Certificates representing shares sold in a registered public offering pursuant to Section 10 shall not be required to bear the legend set forth in this Section 12.

13. *Binding Effect; No Assignment; No Third Party Beneficiaries.* This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Except as expressly provided for in this Agreement, neither this Agreement nor the rights or the obligations of either party hereto are assignable, except by operation of law, or with the written consent of the other party. Nothing contained in this Agreement, express or implied, is intended to confer upon any person other than the parties hereto and their respective permitted assigns any rights or remedies of any nature whatsoever by reason of this Agreement. Any Restricted Shares sold by a party in compliance with the provisions of Section 10 shall, upon consummation of such sale, be free of the restrictions imposed with respect to such shares by this Agreement, unless and until such party shall repurchase or otherwise become the beneficial owner of such shares, and any transferee of such shares shall not be entitled to the registration rights of such party.

14. *Specific Performance.* The parties recognize and agree that if for any reason any of the provisions of this Agreement are not performed in accordance with their specific

terms or are otherwise breached, immediate and irreparable harm or injury would be caused for which money damages would not be an adequate remedy. Accordingly, each party agrees that, in addition to other remedies, the other party shall be entitled to an injunction restraining any violation or threatened violation of the provisions of this Agreement. In the event that any action should be brought in equity to enforce the provisions of the Agreement, neither party will allege, and each party hereby waives the defense, that there is adequate remedy at law.

15. *Entire Agreement.* This Agreement, the Confidentiality Agreement and the Merger Agreement (including the exhibits and schedules thereto) constitute the entire agreement among the parties with respect to the subject matter hereof and thereof and supersede all other prior agreements and understandings, both written and oral, among the parties or any of them with respect to the subject matter hereof and thereof.

16. *Further Assurances.* Each party will execute and deliver all such further documents and instruments and take all such further action as may be necessary in order to consummate the transactions contemplated hereby.

17. *Validity.* The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of the other provisions of this Agreement, which shall remain in full force and effect. In the event any court or other competent authority holds any provisions of this Agreement to be null, void or unenforceable, the parties hereto shall negotiate in good faith the execution and delivery of an amendment to this Agreement in order, as nearly as possible, to effectuate, to the extent permitted by law, the intent of the parties hereto with respect to such provision and the economic effects thereof. If for any reason any such court or regulatory agency determines that CIPSCO is not permitted to acquire, or Union Electric is not permitted to repurchase pursuant to Section 7, the full number of shares of Union Electric Common Stock provided in Section 1 hereof (as the same may be adjusted), it is the express intention of Union Electric to allow CIPSCO to acquire or to require Union Electric to repurchase such lesser number of shares as may be permissible, without any amendment or modification hereof. Each party agrees that, should any court or other competent authority hold any provision of this Agreement or part hereof to be null, void or unenforceable, or order any party to take any action inconsistent herewith, or not take any action required herein, the other party shall not be entitled to specific performance of such provision or part hereof or to any other remedy, including but not limited to money damages, for breach hereof or of any other

provision of this Agreement or part hereof as the result of such holding or order.

18. Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if (i) delivered personally, or (ii) sent by reputable overnight courier service, or (iii) telecopied (which is confirmed), or (iv) five days after being mailed by registered or certified mail (return receipt requested) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

A. If to Union Electric, to:

Union Electric Company
1901 Chouteau Avenue
P.O. Box 149
St. Louis, MO 63166

Attention: Donald E. Brandt
Telephone: (314) 554-2473
Telecopy: (314) 554-3066

and a copy to:

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, NY 10019

Attention: Seth A. Kaplan, Esq.
Telephone: (212) 403-1000
Telecopy: (212) 403-2000

B. If to CIPSCO, to:

CIPSCO Incorporated
607 East Adams Street
Springfield, IL 62739

Attention: Craig D. Nelson
Telephone: (217) 525-5315
Telecopy: (217) 535-5067

with a copy to:

Jones, Day, Reavis & Pogue
77 West Wacker Drive
Chicago, IL 60601-1692

Attention: Robert A. Yolles
Telephone: (312) 782-3939
Telecopy: (312) 782-8585

19. *Governing Law; Choice of Forum.* This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed entirely within such State and without regard to its choice of law principles. Each of the parties hereto (a) consents to submit itself to the personal jurisdiction of any federal court located in the State of New York or any New York state court in the event any dispute arises out of this Agreement or any of the transactions contemplated by this Agreement, (b) agrees that it will not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court and (c) agrees that it will not bring any action relating to this Agreement or any of the transactions contemplated by this Agreement in any court other than a federal court sitting in the State of New York or a New York state court.

20. *Interpretation.* When a reference is made in this Agreement to a Section such reference shall be to a Section of this Agreement unless otherwise indicated. Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation". The descriptive headings herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement.

21. *Counterparts.* This Agreement may be executed in two counterparts, each of which shall be deemed to be an original, but both of which, taken together, shall constitute one and the same instrument.

22. *Expenses.* Except as otherwise expressly provided herein or in the Merger Agreement, all costs and expenses incurred in connection with the transactions contemplated by this Agreement shall be paid by the party incurring such expenses.

23. *Amendments; Waiver.* This Agreement may be amended by the parties hereto and the terms and conditions hereof may be waived only by an instrument in writing signed on behalf of each of the parties hereto, or, in the case of a waiver, by an instrument signed on behalf of the party waiving compliance.

24. *Extension of Time Periods.* The time periods for exercise of certain rights under Sections 2, 6 and 7 shall be extended: (i) to the extent necessary to obtain all regulatory approvals for the exercise of such rights, and for the expiration of all statutory waiting periods; and (ii) to the extent necessary to avoid any liability under Section 16(b) of the Exchange Act by reason of such exercise.

25. *Replacement of Union Electric Option.* Upon receipt by Union Electric of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Agreement, and (in the case of loss, theft or destruction) of reasonably satisfactory indemnification, and upon surrender and cancellation of this Agreement, if mutilated, Union Electric will execute and deliver a new Agreement of like tenor and date.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective duly authorized officers as of the date first above written.

UNION ELECTRIC COMPANY

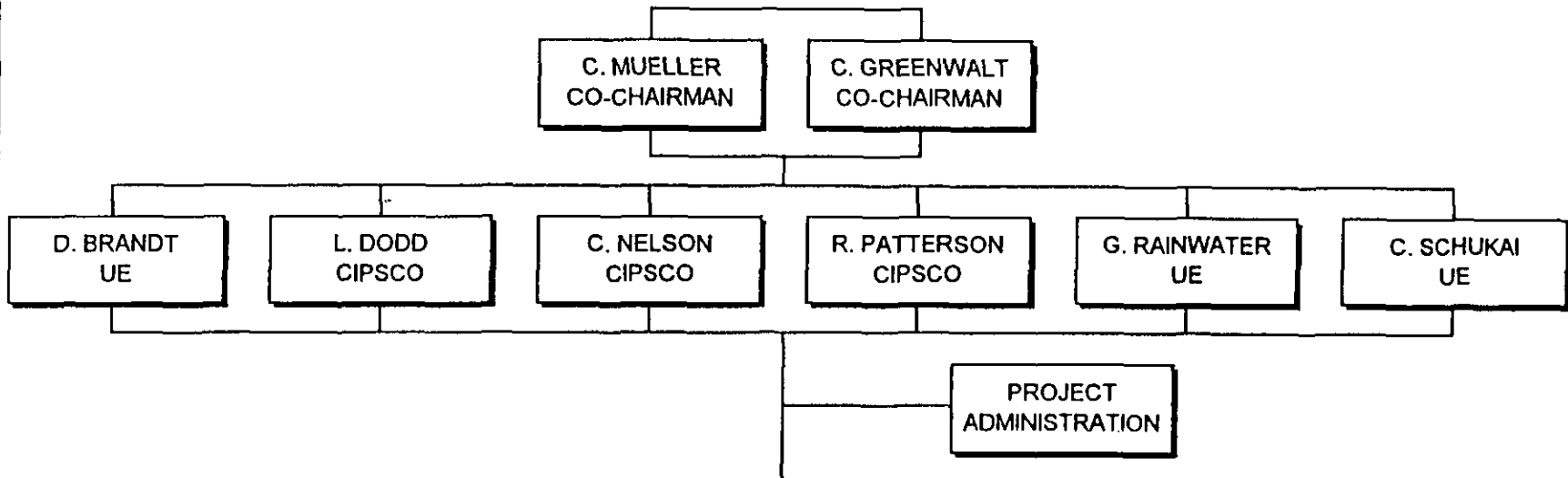
By: /s/ Charles W. Mueller
Name: Charles W. Mueller
Title: President

CIPSCO INCORPORATED

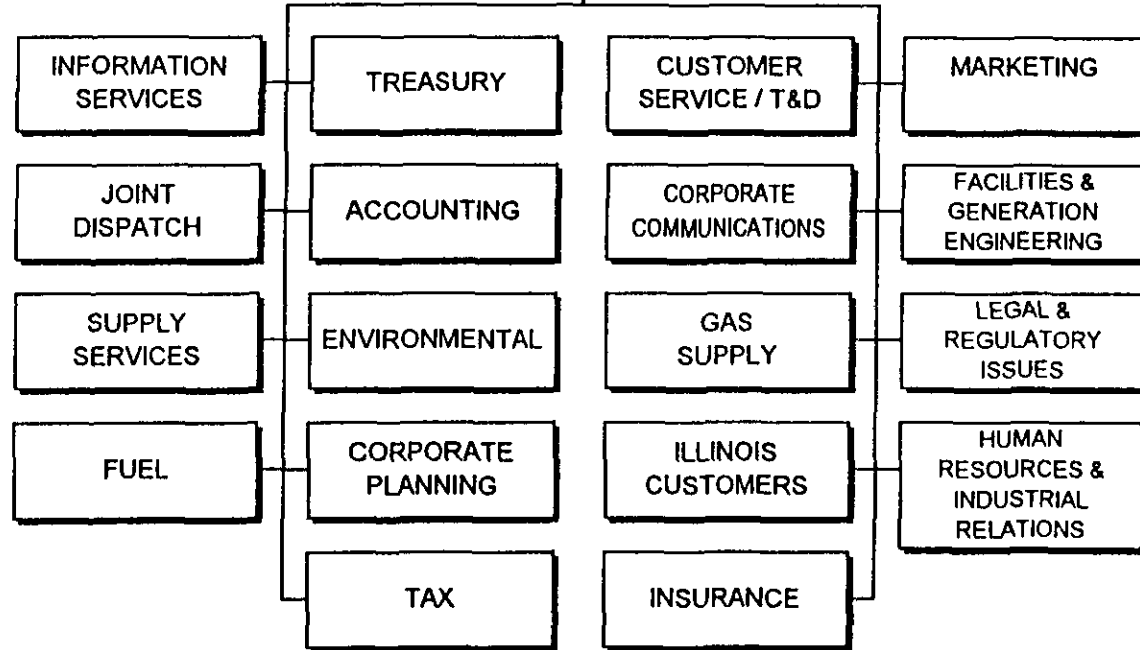
By: /s/ Clifford L. Greenwalt
Name: Clifford L. Greenwalt
Title: President

TRANSITION MANAGEMENT TASK FORCE

STEERING TEAM



TRANSITION TEAMS



UNION ELECTRIC / CIPSCO MERGER

**Summary of Merger Savings
(\$000)**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	10-Year Total
<u>Summary of Merger Savings</u>											
Corporate & Administrative	\$19,070	\$17,800	\$19,185	\$20,618	\$22,103	\$19,705	\$20,361	\$21,040	\$21,744	\$22,472	\$204,098
Staffing	3,703	7,768	12,216	17,070	22,351	23,684	25,063	26,492	27,970	29,500	195,817
Electric Production	7,752	6,412	6,419	5,652	5,756	6,441	6,348	10,446	13,346	15,567	84,139
Materials Purchasing	4,619	5,077	5,551	6,041	6,548	7,073	7,617	8,179	8,762	9,364	68,831
Natural Gas	<u>3,091</u>	<u>3,215</u>	<u>3,343</u>	<u>3,477</u>	<u>3,616</u>	<u>3,761</u>	<u>3,911</u>	<u>4,068</u>	<u>4,230</u>	<u>4,399</u>	<u>37,111</u>
Total Gross Savings	<u>\$38,235</u>	<u>\$40,272</u>	<u>\$46,714</u>	<u>\$52,858</u>	<u>\$60,374</u>	<u>\$60,664</u>	<u>\$63,300</u>	<u>\$70,225</u>	<u>\$76,052</u>	<u>\$81,302</u>	<u>\$589,996</u>

DISTRIBUTION PLANT

EAST ST. LOUIS SUBSTATIONS

Ridge
Spare
Lake
Winstanley
Mitchell
French Village
Airport
Plum
Canal
Frey
Parks
National
Bond
Washington Park
Alorton
Broadview
Rosemont
Lansdowne
Fairview
Haydite
Pocket
Edgemont
Fairmont
Summit
Alta
Cahokia Sub #374 (138.0 to 13.8) Distribution only

ALTON SUBSTATIONS

Mississippi
Customer Substations
Hartford
Liberty
Fosterburg
Bethany
Humbert
South Roxana
Belt Line
Spring
Fowhatan
Clifton

North Alton
Godfrey
Piasa
Rodgers
Alby
Brookside
Arrow Wood

Distribution Line Land and Land rights
Poles and Fixtures
Overhead Conductors and Devices
Conduit
Underground Conductor and Devices
Line Transformer
Services
Meters
Installation on Customer Premises
Street Lighting

GENERAL PLANT

East St. Louis Office
Alton Office
Alton Overhead Center
Microwave Sites
Quincy Transmission Work Headquarters
Office Furniture and Equipment
Transportation Equipment
Stores Equipment
Tools, Shop, and Garage Equipment
Laboratory Equipment
Power Operated Tools
Communications Equipment

PRODUCTION PLANT

Alton Peak Shaving Gas Plant

DISTRIBUTION PLANT

Structures and Improvements

Mains

Regulating Stations

Services

Meters

House Regulators

Industrial Regulating stations

Other Equipment

GENERAL PLANT

Office Furniture and Equipment

Transportation Equipment

Tools, Shop, and Garage Equipment

Laboratory Equipment

Power Operated Tools

Communications Equipment

GENERAL SERVICES AGREEMENT

THIS AGREEMENT, made and entered into this 20th day of December 1995, by and between AMEREN CORPORATION, a Missouri corporation, UNION ELECTRIC COMPANY ("UE"), a Missouri corporation, CENTRAL ILLINOIS PUBLIC SERVICE COMPANY ("CIPS"), an Illinois corporation, and CIPSCO INVESTMENT COMPANY, ("CIC"), an Illinois corporation, referred to collectively as "Parties" and singularly as "Party";

WITNESSETH:

WHEREAS, UE and CIPSCO Incorporated have entered into an Agreement and Plan of Merger, dated August 11, 1995; and,

WHEREAS, pursuant to said Agreement and Plan of Merger a new holding company (AMEREN CORPORATION) will be created, with UE and CIPS as regulated utility subsidiaries, and CIC as a non-utility subsidiary under said new holding company; and,

WHEREAS, to maximize efficiency, and to achieve merger related savings each Party desires to avail itself of the advisory, professional, technical and other services of persons employed or to be retained by the other Parties to this Agreement, and to compensate such other Parties appropriately for such services; and,

WHEREAS, each Party desires to insure that such services are performed economically and efficiently for the benefit of such Parties at cost, fairly and equitably allocated among the Parties.

NOW THEREFORE, in consideration of the mutual undertakings and conditions set forth herein, the Parties agree to do and perform a

variety of services for each other, and compensate each other as set forth below:

Section 1. Services to be provided

Except as noted in Section 7, below, each Party shall furnish to any other Party personnel to provide or assist in providing services, as appropriate in the performance of the purposes of the corporations.

Section 2. Payment for services

Except as noted in Section 7, below, for all services performed by the personnel of any Party (Providing Party) for another Party (Receiving Party), the Receiving Party shall reimburse the Providing Party the Cost of Service for all time spent in the performance of such services.

For the purposes of this Agreement, Cost of Service is defined as the total reasonable and necessary compensation paid by the Providing Party to the personnel performing the services for the time so spent, plus an equitable proportion of the reasonable and necessary annual overhead expenses of the Providing Party.

Section 3. Reimbursement of expenses

In addition to the payment for services set out in Section 2 above, the Receiving Party shall reimburse the Providing Party the cost of all expenditures made or incurred by the Providing Party for the Receiving Party's account.

Section 4. Securities and Exchange Commission Rules

It is the intent of the Parties that the determination of the Cost of Service and Expenses as used in this Agreement shall be

consistent with, and in compliance with 17 CFR § 250.91, as it now reads or hereafter is modified by the Securities and Exchange Commission.

Section 5. Subsidiary or Mutual Service Company

Should the Parties determine at a later date to form a subsidiary or mutual service company, as contemplated at Section 13 (d) of the Public Utility Holding Company Act of 1935 (15 U.S.C. § 79m), this Agreement will be amended as appropriate, to accommodate such decision, in compliance with all applicable laws and regulations.

Section 6. Payment

Payment shall be by making remittance of the amount billed or by making appropriate accounting entries on the books of the Providing and Receiving Parties.

Payment shall be accomplished no less frequently than on a quarterly basis, and remittance or accounting entries shall be completed within 30 days of billing.

Section 7. Ameren Corporation

Except as authorized by rule, regulation, or order of the Securities and Exchange Commission, nothing in this Agreement shall be read to permit AMEREN CORPORATION, or any person employed by or acting for AMEREN CORPORATION, to provide services for other Parties, or any companies associated with said Parties.

Section 8. Effective Date and Termination

This Agreement is executed subject to the consent and approval of all applicable regulatory agencies, and if so approved

in its entirety, shall become effective as of the date the merger between Union Electric and CIPSCO is consummated, and shall remain in effect from said date unless terminated by mutual agreement or by any Party giving at least sixty days' written notice to the other Parties prior to the beginning of any calendar year, each Party fully reserving the right to so terminate the Agreement.

This Agreement may also be terminated to the extent that performance may conflict with any rule, regulation or order of the Securities and Exchange Commission adopted before or after the making of this Agreement.

Section 9. Assignment

This Agreement and the rights hereunder may not be assigned without the mutual written consent of all Parties hereto.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed and attested by their authorized officers as of the day and year first above written.

AMEREN CORPORATION

By 

Title President

ATTEST:

By William E. Judas

Title Secretary

UNION ELECTRIC COMPANY

By *B. L. Raines*

Title Vice President
Corporate Planning

ATTEST:

BY *[Signature]*

Title SECRETARY

CENTRAL ILLINOIS PUBLIC SERVICE CO.

By *[Signature]*

Title Vice President - Finance

ATTEST:

BY *[Signature]*

Title Assistant Secretary

CIPSCO INVESTMENT COMPANY

By *[Signature]*

Title President

ATTEST:

BY *[Signature]*

Title Secretary

Union Electric / CIPSCO Combination
Schedule of Pre- and Post-Merger Transaction Costs

(\$000)

Pre-Merger Transaction Costs

<u>Type</u>	<u>Total</u>	
Printing	\$1,500	
Solicitation/Postage	1,064	
Legal	4,175	
Financial Advisors	11,100	
Accountants	170	
Deloitte & Touche	300	
SEC Filing Fees	1,750	
Planmetrics (consultants)	1,200	
Other	<u>575</u>	
Total Pre-Merger Costs		\$21,834

Post-Merger Transaction Costs

<u>Type</u>	<u>Total</u>	
Staffing Related Costs	\$3,137	
Systems Consolidation/Telecommunications	12,000	
Facilities Integration	1,000	
Communications (Internal & External)	1,000	
Retraining	1,000	
Transition Costs	<u>1,000</u>	
Total Post-Merger Transaction Costs		<u>\$19,137</u>
Total Pre- and Post-Merger Transition Costs		<u>\$40,971</u>

UNION ELECTRIC / CIPSCO MERGER

**Shared Savings Plan
(\$000)**

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	10-Year Total
<u>Summary of Net Savings</u>											
Total Savings	\$38,235	\$40,272	\$46,714	\$52,858	\$60,374	\$60,664	\$63,300	\$70,225	\$76,052	\$81,302	\$589,996
Transaction Costs	2,655	2,796	3,244	3,670	4,192	4,213	4,396	4,877	5,282	5,646	40,971
Merger Premium	<u>15,038</u>	<u>15,838</u>	<u>18,373</u>	<u>20,790</u>	<u>23,746</u>	<u>23,860</u>	<u>24,897</u>	<u>27,622</u>	<u>29,913</u>	<u>31,979</u>	<u>232,056</u>
Total Merger Investment	17,693	18,634	21,617	24,460	27,938	28,073	29,293	32,499	35,195	37,625	273,027
Net Merger Savings	<u>\$20,542</u>	<u>\$21,638</u>	<u>\$25,097</u>	<u>\$28,398</u>	<u>\$32,436</u>	<u>\$32,591</u>	<u>\$34,007</u>	<u>\$37,726</u>	<u>\$40,857</u>	<u>\$43,677</u>	<u>\$316,969</u>
<u>Summary of Shared Savings Plan</u>											
Total Merger Investment	\$17,693	\$18,634	\$21,617	\$24,460	\$27,938	\$28,073	\$29,293	\$32,499	\$35,195	\$37,625	\$273,027
½ of Net Merger Savings	<u>10,271</u>	<u>10,819</u>	<u>12,549</u>	<u>14,199</u>	<u>16,218</u>	<u>16,296</u>	<u>17,004</u>	<u>18,863</u>	<u>20,429</u>	<u>21,839</u>	<u>158,487</u>
Net Allocation to Cost of Service	<u>\$27,964</u>	<u>\$29,453</u>	<u>\$34,166</u>	<u>\$38,659</u>	<u>\$44,156</u>	<u>\$44,369</u>	<u>\$46,297</u>	<u>\$51,362</u>	<u>\$55,624</u>	<u>\$59,464</u>	<u>\$431,514</u>
Net Available to Customer (=½ of Net Merger Savings)	<u>\$10,271</u>	<u>\$10,819</u>	<u>\$12,548</u>	<u>\$14,199</u>	<u>\$16,218</u>	<u>\$16,295</u>	<u>\$17,003</u>	<u>\$18,863</u>	<u>\$20,428</u>	<u>\$21,838</u>	<u>\$158,482</u>

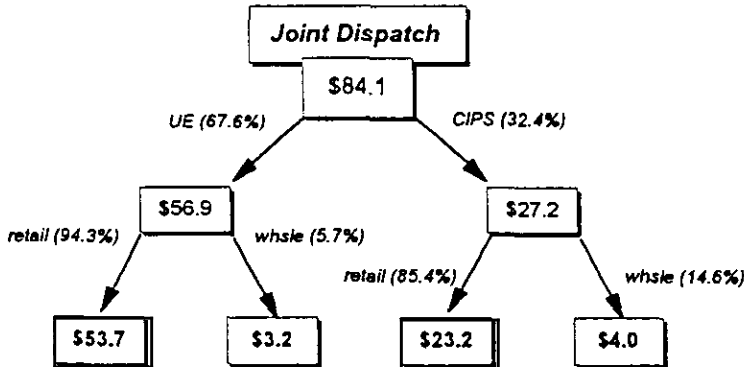
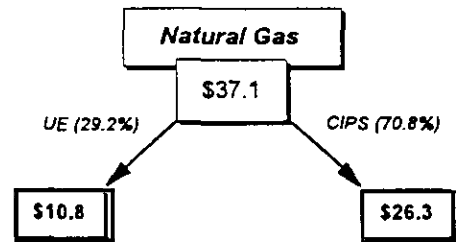
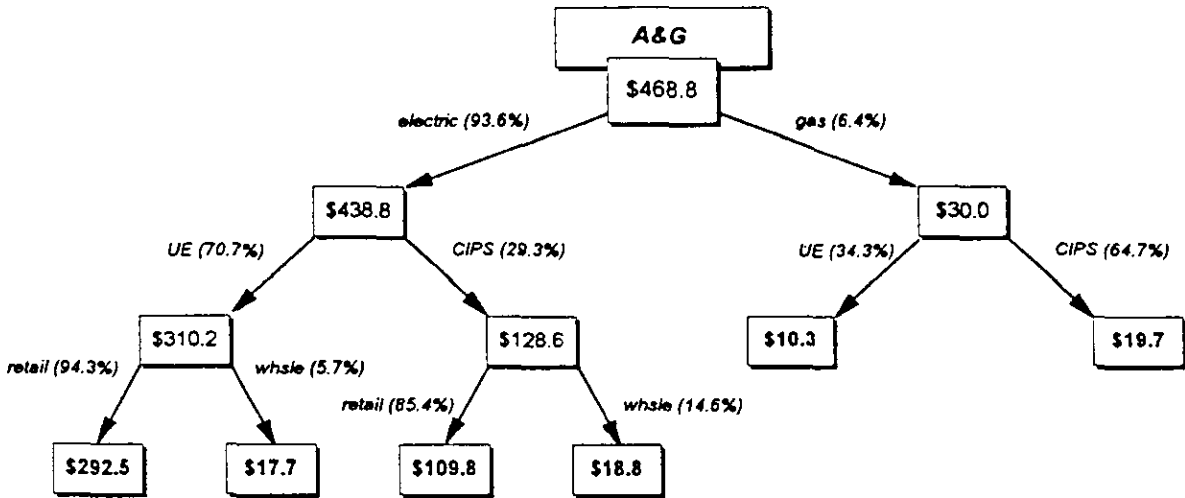
CALCULATION OF ALLOCATION FACTORS

<u>Electric Allocators</u>	<u>UE</u>	<u>CIPS</u>
Labor	71.2 %	28.8 %
KWh Sales	67.6	32.4
Demand (12 NCP)	70.3	29.7
Customers	<u>73.6</u>	<u>26.4</u>
Average	70.7 %	29.3 %

<u>Gas Allocators</u>		
Labor	43.4 %	56.6 %
CCF Sales	26.0	74.0
Demand	32.4	67.6
Customers	<u>35.2</u>	<u>64.8</u>
Average	34.3 %	64.7 %
→ Sales/Demand (Avg)	29.2 %	70.8 %

<u>Total A&G Allocator</u>	
to Electric	93.6 %
to Gas	6.4

Calculation of Jurisdictional Allocation Factors



	Total Savings	% Savings
UE Retail Electric	\$346.2	58.7%
UE Wholesale Electric	20.9	3.5%
UE Gas	21.1	3.6%
CIPS Retail Electric	133.0	22.5%
CIPS Wholesale Electric	22.8	3.9%
CIPS Gas	46.0	7.8%
Total	\$590.0	100.0%

UNION ELECTRIC / CIPSCO MERGER
Jurisdictional Allocation of Shared Savings Plan
(\$000)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	10-Year Total	
Summary of Shared Savings Plan												
Total Merger Investment	\$17,693	\$18,634	\$21,617	\$24,460	\$27,938	\$28,073	\$29,293	\$32,499	\$35,195	\$37,625	\$273,027	
½ of Net Merger Savings	<u>10,271</u>	<u>10,819</u>	<u>12,549</u>	<u>14,199</u>	<u>16,218</u>	<u>16,296</u>	<u>17,004</u>	<u>18,863</u>	<u>20,429</u>	<u>21,839</u>	<u>158,487</u>	
Net Allocation to Cost of Service	<u>\$27,964</u>	<u>\$29,453</u>	<u>\$34,166</u>	<u>\$38,659</u>	<u>\$44,156</u>	<u>\$44,369</u>	<u>\$46,297</u>	<u>\$51,362</u>	<u>\$55,624</u>	<u>\$59,464</u>	<u>\$431,514</u>	
Jurisdictional Allocation												
	Percent											
UE Retail Electric	58.7	\$16,415	\$17,289	\$20,055	\$22,693	\$25,920	\$26,045	\$27,176	\$30,149	\$32,651	\$34,905	\$253,298
UE Wholesale Electric	3.5	979	1,031	1,196	1,353	1,545	1,553	1,620	1,798	1,947	2,081	15,103
UE Gas	3.6	1,007	1,060	1,230	1,392	1,590	1,597	1,667	1,849	2,002	2,141	15,535
CIPS Retail Electric	22.5	6,292	6,627	7,687	8,698	9,935	9,983	10,417	11,556	12,515	13,379	97,089
CIPS Wholesale Electric	3.9	1,091	1,149	1,332	1,508	1,722	1,730	1,806	2,003	2,169	2,319	16,829
CIPS Gas	<u>7.8</u>	<u>2,180</u>	<u>2,297</u>	<u>2,666</u>	<u>3,015</u>	<u>3,444</u>	<u>3,461</u>	<u>3,611</u>	<u>4,007</u>	<u>4,340</u>	<u>4,639</u>	<u>33,660</u>
	100.0	<u>\$27,964</u>	<u>\$29,453</u>	<u>\$34,166</u>	<u>\$38,659</u>	<u>\$44,156</u>	<u>\$44,369</u>	<u>\$46,297</u>	<u>\$51,362</u>	<u>\$55,624</u>	<u>\$59,464</u>	<u>\$431,514</u>

Union Electric / CIPSCO Combination
Calculation of Merger Premium

(NOTE: Premium calculated using closing stock prices as of 8/11/95)

# of shares of CIPSCO common stock outstanding	34,069,542
x Exchange ratio (# shares per CIPSCO share)	<u>1.03</u>
= Total # of shares of CIPSCO stock to be exchanged	35,091,628
x Market price of UE stock	<u>\$35.375</u>
= Total cost of CIPSCO stock purchased	\$1,241,366,350

# of shares of CIPSCO common stock outstanding	34,069,542
x Market price of CIPSCO stock	<u>\$29.625</u>
= Total market value of CIPSCO stock @ 8/11/95	<u>\$1,009,310,182</u>

Net cost of CIPSCO stock, above pre-announcement market price	<u>\$232,056,168</u>
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