# FORM PRE 14C

Preliminary information statement not related to a contested matter or merger/acquisition

Filing Date: **1994-05-13** | Period of Report: **1994-07-01**
**SEC Accession No.** 0000950131-94-000624



## FILER

**ILLINOIS POWER CO**
CIK:**49816**| IRS No.: **370344645** | State of Incorp.:**IL** | Fiscal Year End: **1231**
Type: **PRE 14C** | Act: **34** | File No.: **001-03004** | Film No.: **94527956**
SIC: **4931** Electric & other services combined

Business Address
*500 S 27TH ST*
*C/O HARRIS TRUST &*
*SAVINGS BANK*
*DECATUR IL 62525-1805*
*2174246600*

SCHEDULE 14C
(Rule 14c-101)
INFORMATION REQUIRED IN INFORMATION STATEMENT
SCHEDULE 14C INFORMATION
Information Statement Pursuant to Section 14(c)
of the Securities Exchange Act of 1934 (Amendment No. )

Check the appropriate box:

[X] Preliminary information statement

[_] Definitive information statement

ILLINOIS POWER COMPANY
..........................................................................
(Name of Registrant as Specified in Charter)

ILLINOIS POWER COMPANY
..........................................................................
(Name of Person(s) Filing the Information Statement)

Payment of filing fee (check the appropriate box):

[X] $125 per Exchange Act Rule 0-11(c)(1)(ii), or 14c-5(g).

[_] Fee computed on table below per Exchange Act Rules 14c-5(g) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

................................................................

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11:/1/

................................................................

(4) Proposed maximum aggregate value of transaction:

................................................................

[ ] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount previously paid:

................................................

(2) Form, schedule or registration statement no.:

................................................

(3) Filing party:

.................................................

(4) Date filed:

..................................................

- - ------------------

/1/ Set forth the amount on which the filing fee is calculated and state how it was determined.

SIDLEY & AUSTIN
One First National Plaza
Chicago, Illinois 60603

May 13, 1994

BY ELECTRONIC SUBMISSION

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Re: Illinois Power Company

Dear Sir or Madam:

On behalf of Illinois Power Company, an Illinois corporation (the "Company"), transmitted herewith for filing is a preliminary Information Statement relating to the Company's 1994 Annual Meeting of Shareholders. The fee associated with this filing in the amount of $125 has been remitted by wire transfer to the U.S. treasury designated lockbox depository at the Mellon Bank in Pittsburgh, Pennsylvania.

One copy of a conforming paper format version of the Information Statement, legended as required, is being submitted to the Securities and Exchange Commission at the address indicated below in accordance with Item 901(d) of Regulation S-T. In addition, one conforming paper format version of the performance graph required by Item 402(1) of Regulation S-K is being submitted supplementally to the Company's Branch Chief in the Division of Corporation Finance, in accordance with Item 304 of Regulation S-T.

We appreciate your attention to this filing. Please call the undersigned at (312) 853-6095 if you have any questions.

Sincerely yours,
/s/ Gary J. Kocher
Gary J. Kocher

cc: OFICS Filer Support
SEC Operations Center
6432 General Green Way
Alexandria, Virginia 22312-2413

Mr. Charles C. Leber
SEC, Branch 8
450 W. Fifth Street
Washington, D.C. 20549

New York Stock Exchange
Chicago Stock Exchange

LOGO

ILLINOIS POWER COMPANY

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO THE SHAREHOLDERS OF ILLINOIS POWER COMPANY:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Illinois Power Company will be held on July 1, 1994, at 10:00 a.m., at its corporate headquarters, 500 South 27th Street, Decatur, Illinois, 62525-1805, for the following purposes:

(1) To elect the Board of Directors for the ensuing year.

(2) To consider and vote upon an amendment to the Company's Restated Articles of Incorporation.

(3) To transact any other business which may properly come before the meeting or any adjournment.

Shareholders of record at the close of business on June 7, 1994 will be entitled to notice of and to vote at the Annual Meeting.

ONLY SHAREHOLDERS OF THE COMPANY ARE ENTITLED TO ATTEND THE ANNUAL MEETING. SHAREHOLDERS WILL BE ADMITTED UPON VERIFICATION OF RECORD SHARE OWNERSHIP AT THE ADMISSION DESK. SHAREHOLDERS WHO OWN SHARES THROUGH BANKS, BROKERAGE FIRMS, NOMINEES OR OTHER ACCOUNT CUSTODIANS MUST PRESENT PROOF OF BENEFICIAL SHARE OWNERSHIP (SUCH AS A BROKERAGE ACCOUNT STATEMENT) AT THE ADMISSION DESK.

By Order of the Board of Directors,

Leah Manning Stetzner, Vice President, General Counsel and Corporate Secretary

Decatur, Illinois
June 10, 1994

ILLINOIS POWER COMPANY

INFORMATION STATEMENT
(PURSUANT TO SECTION 14(C) OF THE SECURITIES EXCHANGE ACT OF 1934)

JUNE 10, 1994
(DATE FIRST SENT OR GIVEN TO SECURITY HOLDERS)

WE ARE NOT ASKING YOU FOR A PROXY AND
YOU ARE REQUESTED NOT TO SEND US A PROXY.

This Information Statement is furnished in connection with the Annual Meeting of Shareholders of Illinois Power Company (the "Company"). The Annual Meeting will be held on July 1, 1994, at 10:00 a.m., at the Company's corporate headquarters, 500 South 27th Street, Decatur, Illinois 62525-1805, for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders.

Effective May 27, 1994 (the "Effective Date"), the Company became a subsidiary of Illinova Corporation ("Illinova"). On the Effective Date, each outstanding share of the Company's Common Stock was converted in a merger into one share of Common Stock of Illinova. As a result, the holders of the Company's Common Stock became the owners of Illinova Common Stock and Illinova became the sole holder of Common Stock of the Company.

On June 7, 1994 (the "Record Date"), Illinova beneficially owned all of the 75,643,937 shares of the Company's Common Stock then outstanding and there were 6,420,300 shares of the Company's Preferred Stock then outstanding, none of which were held by Illinova.

VOTING RIGHTS

Shareholders who are present at the Annual Meeting in person or by proxy will be entitled to one vote for each share of the Company's Common and Preferred Stock which they held of record at the close of business on the Record Date. Management does not know of any matter which will be presented for consideration at the Annual Meeting other than the matters described in the accompanying Notice of Annual Meeting.

When voting for candidates nominated to serve as directors, all shareholders will be entitled to 12 votes (the number of directors to be elected) for each of their shares and may cast all of their votes for any one candidate whose name has been placed in nomination prior to the voting or distribute their votes among two or more such candidates in such proportions as they may determine. In voting upon other matters presented for consideration at the Annual Meeting, each shareholder will be entitled to one vote for each share of Common or Preferred Stock then held of record at the close of business on the Record Date.

ELECTION OF DIRECTORS

The Company's entire Board of Directors is elected at each Annual Meeting of Shareholders. Directors hold office until the next Annual Meeting of Shareholders and until their successors are elected and qualified. At the Annual Meeting a vote will be taken on a proposal to elect the 12 directors nominated by the Company's Board of Directors. The names and certain additional information concerning each of the director nominees is set forth below. Each of the director nominees is currently a director of Illinova and Illinois Power. If any nominee should become unable to serve as a director, another nominee will be selected by the current Board of Directors. Share ownership reflected below represents shares of Common Stock of the Company which were converted into a like number of shares of Common Stock of Illinova on the Effective Date.



<TABLE>
<CAPTION>

| NAME OF DIRECTOR NOMINEE, AGE, BUSINESS EXPERIENCE AND OTHER INFORMATION | YEAR IN WHICH FIRST ELECTED A DIRECTOR OF THE COMPANY | SHARES OF COMMON STOCK BENEFICIALLY OWNED AS OF MAY 2, 1994 |
|---|---|---|
| <S> | <C> | <C> |
| RICHARD R. BERRY, 62.................................. | 1988 | 2,147 |
| Prior to retirement in February, 1990, Mr. Berry was Executive Vice President and director of Olin Corporation, Stamford, Connecticut, a diversified manufacturer concentrated in chemicals, metals and aerospace/defense products, since June, 1983. (1)(2)(5) | | |
| LARRY D. HAAB, 56..................................... | 1986 | 9,403(6) |
| Chairman, President and Chief Executive Officer of Illinova since December, 1993, and of the Company | | |

| | | |
|---|---|---|
| since June, 1991, and an employee of the Company since 1965. He is a director of First Decatur Bancshares, Inc., The First National Bank of Decatur and Firstech, Incorporated. (1)(4)(5) | | |
| DONALD E. LASATER, 68.............................. Prior to retirement in April, 1989, Mr. Lasater was Chairman of the Board and Chief Executive Officer of Mercantile Bancorporation, Inc., St. Louis, Missouri, a bank holding company, since 1970. He is a director of Interco Incorporated, General American Life Insurance Company and A.P. Green Industries, Inc. (1)(2)(5) | 1981 | 2,713 |
| DONALD S. PERKINS, 67.............................. Prior to retirement in June, 1983, as Chairman of the Executive Committee, Mr. Perkins was Chairman of the Board and Chief Executive Officer of Jewel Companies, Inc., Chicago, Illinois, a diversified retailer, from 1970 to 1980. He is a director of American Telephone & Telegraph Company ("AT&T"), Aon Corporation, Cummins Engine Company, Inc., Inland Steel Industries, Inc., KMart Corporation, LaSalle Street Fund, Inc., The Putnam Funds, Springs Industries, Inc., and Time Warner, Inc. (3)(4) | 1988 | 6,707 |
| ROBERT M. POWERS, 62............................... Prior to retirement in December, 1988, Mr. Powers was President and Chief Executive Officer of A. E. Staley Manufacturing Company, Decatur, Illinois, a processor of grain and oil seeds, since 1980. He is Chairman of the Board of A. E. Staley Manufacturing Company, and a director of Tate & Lyle, PLC. (1)(3)(4) | 1984 | 6,000(7) |
| WALTER D. SCOTT, 62................................ Professor of Management and Senior Austin Fellow, J.L. Kellogg Graduate School of Management, Northwestern University, Evanston, Illinois, since 1988. Previously, Mr. Scott served as Chairman of GrandMet USA, from 1984 to 1986, and as President and Chief Executive Officer of IDS Financial Services, from 1980 to 1984. Mr. Scott is a director of Chicago Title and Trust Company, Chicago Title Insurance Company and Intermatic Incorporated. (1)(3) | 1990 | 2,600 |
| RONALD L. THOMPSON, 44............................. Chairman and Chief Executive Officer of Midwest Stamping and Manufacturing Co., Bowling Green, Ohio, a manufacturer of automotive parts, since 1993. He was President and Chief Executive Officer and a director of The GR Group, Inc., St. Louis, Missouri (a diversified holding company with interests in manufacturing and service activities), from 1980 to 1993. (3)(4) | 1991 | 1,757 |

</TABLE>



<TABLE>
<CAPTION>

| NAME OF DIRECTOR NOMINEE, AGE, BUSINESS EXPERIENCE AND OTHER INFORMATION | YEAR IN WHICH FIRST ELECTED A DIRECTOR OF THE COMPANY | SHARES OF COMMON STOCK BENEFICIALLY OWNED AS OF MAY 2, 1994 |
|---|---|---|

| | | |
|---|---|---|
| <S> | <C> | <C> |
| WALTER M. VANNOY, 66............................... Vice Chairman, Figgie International, Inc. (a diversified operating company serving consumer, industrial, technical, and service markets worldwide), since 1994, and President of Vannoy Associates, Lynchburg, Virginia, a consulting company, 1989-1994. He is a director of Figgie International, Inc., and Chempower, Inc. (2)(5) | 1990 | 2,100 |
| MARILOU von FERSTEL, 56.......................... Executive Vice President and General Manager of Ogilvy Adams & Rinehart, Inc., a public relations firm in Chicago, since June, 1990. She had previously been Managing Director and Senior Vice President of Hill and Knowlton, Chicago, Illinois, a public relations consulting firm, from May, 1981 to June, 1990. Ms. von Ferstel is a director of Walgreen Company. (2)(3)(4) | 1990 | 2,707 |
| CHARLES W. WELLS, 59............................. Executive Vice President of Illinois Power Company since 1976. Mr. Wells has been an employee of the Company since 1956. He was elected a Vice President in 1972. He is a director of First of America--Decatur N.A. (1)(5) | 1976 | 7,949(6)(8) |
| JOHN D. ZEGLIS, 47............................... Senior Vice President--General Counsel and Government Affairs of AT&T, Basking Ridge, New Jersey, a diversified communications company, since 1989. He had been Senior Vice President--General Counsel from 1986 to 1989. He is a director of the Helmerich & Payne Corporation in Tulsa, Oklahoma. (3)(4) | 1993 | 1,027 |
| VERNON K. ZIMMERMAN, 65.......................... Director of the Center for International Education Research and Accounting, and Distinguished Service Professor of Accountancy, University of Illinois, Urbana, Illinois, since August 1985. He is a director of First Busey Corporation, Busey Corporation, and ICH Corporation. (1)(2)(5) | 1973 | 6,686(8) |

</TABLE>

(1) Member of the Finance Committee.
(2) Member of the Audit Committee.
(3) Member of the Compensation and Nominating Committee.
(4) Member of the Corporate Strategy Committee.
(5) Member of the Nuclear Operations Committee.
(6) Includes 3,970 and 6,418 shares held in the accounts of Messrs. Haab and Wells, respectively, under the Company's Incentive Savings Plan.
(7) Mr. Powers' wife owns 1,200 shares of Illinois Power Preferred Stock, as to which he does not disclaim beneficial ownership.
(8) Includes 1,000 and 1,968 shares held by wives of Messrs. Wells and Zimmerman, respectively.



INFORMATION REGARDING THE BOARD OF DIRECTORS

The Board of Directors of the Company held seven Board meetings during 1993. Other than Mr. Powers, all directors attended at least 75% of the aggregate meetings of the Board and Committees of which they were members during 1993. Mr. Powers attended fewer than 75% of such meetings due to illness.

The Board has five standing committees: the Audit Committee, the Finance Committee, the Compensation and Nominating Committee, the Corporate Strategy Committee and the Nuclear Operations Committee.

The duties of the standing committees are:

Audit Committee

(1) Review with the Chairman, President and Chief Executive Officer and the independent accountants the scope and adequacy of the Company's system of internal controls; (2) review the scope and results of the annual examination performed by the independent accountants; (3) review the activities of the Company's internal auditors; (4) report its findings to the Board and provide a line of communication between the Board and both the internal auditors and the independent accountants; and (5) recommend to the Board the appointment of the independent accountants and approval of the services performed by the independent accountants, considering their independence with regard thereto. The Audit Committee met three times during 1993.

Finance Committee

(1) Review management's capital and operations and maintenance expenditure budgets, financial forecasts and financing program, and make recommendations to the Board regarding the approval of such budgets and plans; (2) review the Company's banking relationships, short-term borrowing arrangements, dividend policies, arrangements with the transfer agent and registrar, investment objectives and the performance of the Company's pension funds, evaluate fund managers, and make recommendations to the Board concerning such matters; and (3) act in an advisory capacity to management, the Board of Directors, and the Chairman, President and Chief Executive Officer on other financial matters as they may arise. The Finance Committee met three times during 1993.

Compensation and Nominating Committee

(1) Review performance and recommend salaries plus other forms of compensation of elected Company officers and the Board of Directors; (2) review the Company's benefit plans for elected Company officers and make recommendations to the Board regarding any changes deemed necessary; (3) review with the Chairman, President and Chief Executive Officer any organizational or other personnel matters; and (4) recommend to the Board nominees to stand for election as director to fill vacancies in the Board of Directors as they occur. The Compensation and Nominating Committee will consider shareholders' recommendations for nominees for director made pursuant to timely notice in writing addressed to the Chairman of the Committee at the executive offices of the Company, together with a full description of the qualifications and business and professional experience of the proposed nominees and a statement of the nominees' willingness to serve. To be timely, the notice shall be delivered to or mailed and received at the executive offices of the Company not less than 90 nor more than 120 days prior to the Annual Meeting. The Compensation and Nominating Committee met three times during 1993.



Corporate Strategy Committee

(1) Review corporate objectives of the Company, consider appropriate structure changes to meet corporate objectives and make recommendations to the Board concerning such matters; (2) review the Company's program for long-term corporate activities and make recommendations to the Board regarding the approval of such programs; and (3) act in an advisory

capacity to management and the Board of Directors on corporate activities. The Corporate Strategy Committee met three times during 1993.

Nuclear Operations Committee

(1) Review the safety, reliability and quality of nuclear operations; (2) review the effectiveness of the management of nuclear operations; (3) review the strategic plan of nuclear operations; and (4) report its findings to the Board. The Nuclear Operations Committee met three times during 1993.

SHARE OWNERSHIP AND BOARD COMPENSATION

The Chief Executive Officer and four other most highly paid executive officers beneficially owned the following shares of Common Stock at May 2, 1994 (which shares were converted into a like number of shares of Common Stock of Illinova on the Effective Date):

| EXECUTIVE OFFICER | SHARES OF COMMON STOCK BENEFICIALLY OWNED |
|---|---|
| Larry D. Haab | 9,403 |
| Charles W. Wells | 7,949 |
| Paul L. Lang, Senior Vice President | 2,359 |
| J. Stephen Perry, Senior Vice President(1) | 1,156 |
| Larry F. Altenbaumer, Senior Vice President and Chief Financial Officer | 3,356 |

- - --------

(1) Mr. Perry ceased to be an employee of the Company effective April 22, 1994.

Except as indicated above, no director or any executive officer owns any other equity securities of Illinova or the Company. No director or executive officer owns as much as one percent of the Common Stock. All executive officers and directors of the Company as a group own 68,502 shares of Common Stock (less than one percent). The nature of beneficial ownership for shares shown is sole voting and investment power.

Directors of the Company who are not salaried officers ("Outside Directors") receive a retainer fee of $18,000 per year. Outside Directors who also chair Board committees receive an additional $2,000 per year retainer. Outside Directors receive a grant of 600 shares of Common Stock on the date of each Annual Shareholders Meeting, representing payment in lieu of attendance-based fees for all Board and Committee meetings to be held during the subsequent one-year period. Outside Directors elected to the Board between Annual Shareholders Meetings are paid $850 for each Board and Committee meeting attended prior to the first Annual Shareholders Meeting after their election to the Board. The Company has a Retirement Plan for Outside Directors. Under this plan, each Outside Director who has attained age 65 and has served on the Board for a period of 60 or more consecutive months is eligible for annual retirement benefits at the rate of the annual retainer fee in effect when the director retires. These benefits, at the discretion of the Board, may be extended to Outside Directors who have attained the age of 65 but not served on the Board for the specified period. The benefits are payable for a number of months equal to the number of months of Board service, subject to a maximum of 120 months, and cease upon the death of the retired Outside Director.

Pursuant to the Company's Deferred Compensation Plan for Certain Directors, any director who is not a salaried officer or employee of the Company may elect to defer all or any portion of his or her fees until termination of his or her services as a director. Such deferred dollar amounts are converted into stock units



representing shares of Common Stock with the value of each stock unit based upon the last reported sales price of such stock at the end of each calendar quarter. Additional credits are made to the participating director's account in dollar amounts equal to the dividends paid on Common Stock which the director would have received if the director had been the record owner of the shares represented by stock units, and are converted into additional stock units. Upon termination of a participating director's services as a director, payment of his or her deferred fees is made in shares of Common Stock in an amount equal to the aggregate number of stock units credited to his or her account. Such payment is made in such number of annual installments as the Company may determine beginning in the year following the year of termination.

## EXECUTIVE COMPENSATION

The following table sets forth a summary of the compensation of the Chief Executive Officer and the four other most highly compensated executive officers of the Company for the years indicated.

### SUMMARY COMPENSATION TABLE

<TABLE>
<CAPTION>

| | | ANNUAL COMPENSATION | | | LONG TERM COMPENSATION | | |
|---|---|---|---|---|---|---|---|
| | | | | | AWARDS | | |
| NAME AND PRINCIPAL POSITION | YEAR | SALARY | BONUS (A) | OTHER ANNUAL COMPENSATION | RESTRICTED STOCK AWARDS (B) | SHARES UNDERLYING OPTIONS | ALL OTHER COMPENSATION (C) |
| <S> | <C> | <C> | <C> | <C> | <C> | <C> | <C> |
| Larry D. Haab.......... | 1993 | $437,500 | $22,531 | $13,199 | $22,531 | 20,000 shs. | $3,555 |
| Chairman, President and Chief Executive | 1992 | 403,958 | 28,883 | 7,099 | | 16,000 shs. | 3,373 |
| Officer | 1991 | 364,375 | 22,044 | | | N/A | |
| Charles W. Wells....... | 1993 | $265,875 | $12,629 | $ 9,697 | $12,629 | 6,500 shs. | $5,341 |
| Executive Vice President | 1992 | 252,500 | 16,160 | 7,034 | | 6,000 shs. | 5,129 |
| | 1991 | 240,958 | 14,605 | | | N/A | |
| Paul L. Lang........... | 1993 | $205,625 | $ 9,767 | $ 7,508 | $ 9,767 | 6,000 shs. | $ 527 |
| Senior Vice President | 1992 | 188,667 | 13,490 | 4,472 | | 5,000 shs. | 536 |
| | 1991 | 175,417 | 10,638 | | | N/A | |
| J. Stephen Perry....... | 1993 | $205,625 | $10,590 | $ 6,421 | $10,590 | 6,000 shs. | $ 316 |
| Senior Vice President | 1992 | 188,667 | 12,075 | 4,672 | | 5,000 shs. | 384 |
| | 1991 | 175,417 | 10,638 | | | N/A | |
| Larry F. Altenbaumer... | 1993 | $187,750 | $ 8,918 | $ 7,093 | $ 8,918 | 6,000 shs. | $2,009 |
| Senior Vice President and Chief Financial | 1992 | 166,500 | 10,656 | 3,588 | | 5,000 shs. | 1,867 |
| Officer | 1991 | 150,833 | 9,176 | | | N/A | |

</TABLE>

- - --------

(a) The amounts shown in this column are the cash award portion of grants made to these individuals under the Executive Incentive Compensation Plan, including amounts deferred under the Executive Deferred Compensation Plan. See Plan description in footnote (b) below.

(b) This table sets forth stock unit awards for 1993 under the Company's Executive Incentive Compensation Plan. One-half of each year's award under this plan is converted into stock units representing shares of Common Stock based on the closing price of Common Stock on the last trading day of the award year. The other one-half of the award is paid to the recipient in cash in the following year and is included in the Summary Compensation Table as Bonus paid in the award year. Stock units awarded in a given year, together with cash representing the accumulated dividend equivalents on those stock units, become fully vested after a three-year holding period. Stock units are converted into cash and paid based on the closing price of Common Stock on the first trading day of the distribution year. Participants (or beneficiaries of deceased participants) whose employment is terminated by retirement on or after age 55, disability or death receive the present value of all unpaid awards on the date of such termination. Participants whose employment is terminated for reasons other than retirement, disability or death forfeit all unvested awards. In the event of a termination of employment within two years after a change in control of the Company (as defined in the Employee Retention Agreement described below), without good cause or by any participant with good reason, all awards of the participant become fully vested



and payable. As of December 31, 1993, named executive officers were credited with the following total aggregate number of unvested stock units under the Executive Incentive Compensation Plan since its inception, valued on the basis of the closing price of Common Stock on December 31, 1993: Mr. Haab, 3,374 units valued at $74,650; Mr. Wells, 1,992 units valued at $44,083; Mr. Lang, 1,557 units valued at $34,454; Mr. Perry, 1,528 units valued at $33,813; Mr. Altenbaumer, 1,319 units valued at $29,200. Although stock units have been rounded, valuation is based on total stock units, including partial shares.

(c) The amounts shown in this column are Company contributions under the Incentive Savings Plan (including the market value of shares of Common Stock at the time of allocation).

The following tables summarize grants during 1993 of stock options under the Company's 1992 Long Term Incentive Compensation Plan and awards outstanding at year end for the individuals named in the Summary Compensation Table. No options were exercisable or exercised during 1993.

OPTION GRANTS IN 1993

<TABLE>
<CAPTION>

| NAME | INDIVIDUAL GRANTS: NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED(A) | % OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN 1993 | EXERCISE OR BASE PRICE PER SHARE | EXPIRATION DATE | GRANT DATE PRESENT VALUE(B) |
|---|---|---|---|---|---|
| <S> | <C> | <C> | <C> | <C> | <C> |
| Larry D. Haab......... | 20,000 | 27% | $24.25 | 6/9/2003 | $135,200 |
| Charles W. Wells...... | 6,500 | 9 | 24.25 | 6/9/2003 | 43,940 |
| Paul L. Lang.......... | 6,000 | 8 | 24.25 | 6/9/2003 | 40,560 |
| J. Stephen Perry...... | 6,000 | 8 | 24.25 | 6/9/2003 | 40,560 |
| Larry F. Altenbaumer.. | 6,000 | 8 | 24.25 | 6/9/2003 | 40,560 |

</TABLE>

- - --------

(a) Each option becomes exercisable on March 31, 1997. In addition to the specified expiration date, the grant expires on the first anniversary of the recipient's death and/or the 90th day following retirement, and is not exercisable in the event recipient's employment terminates. In the event of a public tender for all or a portion of the stock, or if a proposal to merge or consolidate the Company with another company is submitted to the shareholders for a vote, the Compensation and Nominating Committee may declare the option immediately exercisable.

(b) The Grant Date Present Value has been calculated using the Black-Scholes option pricing model. Disclosure of the Grant Date Present Value, using the Black-Scholes model or potential realizable value assuming 5% and 10% annualized growth rates, is mandated; however, the Company does not necessarily view the Black-Scholes pricing methodology, or any other present methodology, as a valid or accurate means of valuing stock option grants. The Company elected to use the standard Black-Scholes model, which uses the following factors: fair market value of share at grant; option exercise price; term of the option; current yield of the stock; risk-free interest rate; volatility of the stock. The fair market value of the stock on June 9, 1993 was $24.25; the exercise price of the options is $24.25; and the term of the option is ten years. The annual dividend rate on the Company's Common Stock on June 9, 1993 was $0.80 for a yield of 3.3 percent. The risk-free interest rate used was 5.96 percent, based on the ten-year U.S. Treasury bond yield on May 14, 1993. The volatility of the stock used was .245. This figure is based on the absolute volatility (annualized standard deviation of the logarithms of the prior stock performance) for the 36-month period ending March, 1993. This is a relatively high volatility for an electric utility due, in part, to the Company's nuclear plant construction cost recovery disallowances, related write-offs, and temporary suspension of Common Stock dividend payments during this period. The value thus determined, $6.76 per share, was not discounted.



AGGREGATED OPTION AND FISCAL YEAR-END OPTION VALUE TABLE

<TABLE>
<CAPTION>

| NAME | NUMBER OF UNEXERCISED OPTIONS AT 1993 YEAR-END EXERCISABLE/ UNEXERCISABLE | VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT 1993 YEAR-END EXERCISABLE/ UNEXERCISABLE (NONE-IN-THE-MONEY) |
|---|---|---|
| <S> | <C> | <C> |
| Larry D. Haab | 0 shs./36,000 shs. | 0/0 |
| Charles W. Wells | 0 shs./12,500 shs. | 0/0 |
| Paul L. Lang | 0 shs./11,000 shs. | 0/0 |
| J. Stephen Perry | 0 shs./11,000 shs. | 0/0 |
| Larry F. Altenbaumer | 0 shs./11,000 shs. | 0/0 |

</TABLE>

PENSION BENEFITS

The Company maintains a Retirement Income Plan for Salaried Employees (the "Plan") providing pension benefits for all eligible salaried employees of the Company. In addition to the Plan, the Company also maintains a nonqualified Supplemental Retirement Income Plan for Salaried Employees of Illinois Power Company (the "Supplemental Plan") that covers all elected officers eligible to participate in the Plan and provides for payments from general funds of the Company of any monthly retirement income not payable under the Plan because of benefit limits imposed by law or because of certain Plan rules limiting the amount of credited service accrued by a participant.

The following table shows the estimated annual pension benefits on a straight life annuity basis payable upon retirement based on specified annual average earnings and years of credited service classifications, assuming continuation of the Plan and Supplemental Plan and employment until age 65. This table does not show, but any actual pension benefit payments would be subject to, the Social Security offset.

<TABLE>
<CAPTION>

| ANNUAL AVERAGE EARNINGS | ESTIMATED ANNUAL BENEFITS (ROUNDED) | | | | |
|---|---|---|---|---|---|
| | 15 YRS. SERVICE | 20 YRS. SERVICE | 25 YRS. SERVICE | 30 YRS. SERVICE | 35 YRS. SERVICE |
| <S> | <C> | <C> | <C> | <C> | <C> |
| $125,000 | $ 37,500 | $ 50,000 | $ 62,500 | $ 75,000 | $ 87,500 |
| 150,000 | 45,000 | 60,000 | 75,000 | 90,000 | 105,000 |
| 175,000 | 52,500 | 70,000 | 87,500 | 105,000 | 122,500 |
| 200,000 | 60,000 | 80,000 | 100,000 | 120,000 | 140,000 |
| 250,000 | 75,000 | 100,000 | 125,000 | 150,000 | 175,000 |
| 300,000 | 90,000 | 120,000 | 150,000 | 180,000 | 210,000 |
| 350,000 | 105,000 | 140,000 | 175,000 | 210,000 | 245,000 |
| 400,000 | 120,000 | 160,000 | 200,000 | 240,000 | 280,000 |
| 450,000 | 135,000 | 180,000 | 225,000 | 270,000 | 315,000 |
| 500,000 | 150,000 | 200,000 | 250,000 | 300,000 | 350,000 |
| 550,000 | 165,000 | 220,000 | 275,000 | 330,000 | 385,000 |
| 600,000 | 180,000 | 240,000 | 300,000 | 360,000 | 420,000 |

</TABLE>

The earnings used in determining pension benefits under the Plan are the participants' regular base compensation, as set forth under salaries in the compensation table.

At December 31, 1993, for purposes of both the Plan and the Supplemental Plan, Messrs. Haab, Wells, Altenbaumer, Lang and Perry had completed 28, 30, 21, 7 and 9 years of credited service, respectively.



EMPLOYEE RETENTION AGREEMENTS

The Company has entered into Employee Retention Agreements with each of its executive officers. Under each of these agreements, the officer would be entitled to receive a lump sum cash payment if his or her employment were terminated by the Company without good cause or voluntarily by the officer for good reason within two years following a change in control of the Company (as defined in the Agreement). The amount of the lump sum payment would be equal to (1) 36 months' salary at the greater of the officer's salary rate in effect on the date the change in control occurred or the salary rate in effect on the date the officer's employment with the Company terminated; plus (2) three times the largest bonus earned by the officer during the three calendar years preceding termination of employment. Under the agreement, the officer would continue, after any such termination of employment, to participate in and receive benefits under other benefit plans of the Company. Such coverage would continue for 36 months following termination of employment, or, if earlier, until the officer reached age 65 or was employed by another employer; provided that, if the officer was 50 years of age or older at the time of such termination, then coverage under health, life insurance and similar welfare plans would continue until the officer became 55 years of age, at which time he or she would be eligible to receive the type of coverage extended to employees of the Company who elect early retirement.

## COMPENSATION AND NOMINATING COMMITTEE REPORT ON OFFICER COMPENSATION

The five member Compensation and Nominating Committee of the Board of Directors is composed entirely of independent, non-employee directors. The Committee's role includes a review of the performance of the elected officers and the establishment of specific officer salaries subject to Board approval. The Committee establishes performance goals for the officers under the Executive Incentive Compensation Plan (the "EIC Plan"), approves payments made pursuant to the EIC Plan and recommends grants under the Long-Term Incentive Plan (the "LTIC Plan") approved by the shareholders in 1992. The Committee also reviews other forms of compensation and benefits making recommendations to the Board on changes whenever appropriate. The Committee carries out these responsibilities with assistance from an executive compensation consulting firm and with input from the Chief Executive Officer and management as it deems appropriate.

### OFFICER COMPENSATION PHILOSOPHY

The Company's compensation philosophy reflects a commitment to compensate officers competitively with other companies in the electric and gas utility industry while rewarding executives for achieving levels of operational excellence and financial returns consistent with continuous improvement in customer satisfaction and shareholder value. The Company's compensation policy is to provide a total compensation opportunity equal to a peer group of comparable electric utility companies. One-third of the companies in the compensation group are included in the S&P utilities index which is used to relate the Company's shareholder value in the following performance graphs. The S&P index covers the utility industry broadly including electric, gas, and telecommunications utilities. After careful consideration, the Committee has decided to maintain a separate peer group limited to electric or combination electric and gas companies for compensation purposes.

The compensation program for officers consists of base salary, annual incentive and long-term incentive components. The combination of these three elements balances short- and long-term business performance goals and aligns officer financial rewards with those of the Company's shareholders. The compensation program is structured so that, depending on the salary level, between 25 and 35 percent of an officer's total compensation opportunity is composed of incentive compensation.



Effective for compensation earned in 1994, Section 182(m) of the Internal Revenue Code enacted as part of the Omnibus Budget Reconciliation Act of 1993 places limitations on the deductions a company can claim for compensation earned by each of its executive officers. The Committee is committed to taking all reasonable steps to ensure that the compensation paid to its officers is completely deductible by the Company consistent with the best interests of the Company and its shareholders.

### BASE SALARY PLAN

The Committee determines base salary ranges for executive officers based upon competitive pay practices. Officer salaries correspond to approximately the average of the companies in the compensation peer group. Individual increases were based on several factors including the officer's performance during the year and the relationship of the officer's salary to the market salary level for the position.

### EXECUTIVE INCENTIVE COMPENSATION PLAN

The Board of Directors established the EIC Plan for the Company's officers, effective in 1992. Annual incentive awards are earned based on the achievement of specific annual financial and operational goals by the officer group as a whole and consideration of the officer's individual contribution. If payment is earned under the EIC Plan, one-half of the bonus is payable in cash during the year following the award year and one-half is credited to the participant in the form of Common Stock units, the number of which is determined by dividing half of the earned bonus amount by the closing price of the Common Stock on the last trading day of the award year. The officer's interest in the stock units vests at the end of the three-year period which begins the year after the award year. The officer receives this award in cash equal to (1) the closing stock price on the first trading day of the distribution year times the number of units held plus (2) dividend equivalents that would have been received if the stock had actually been issued.

For 1993, awards under the EIC Plan are based on achievement of the performance areas: earnings per share, customer satisfaction, employee teamwork, cost management, and operating effectiveness. Based on an assessment of performance relative to the standard set for each goal, each officer is eligible for the same percentage of base salary. However, 15 percent of the awarded amount is based on a determination of the individual officer's performance during the year.

Awards shown in the Summary Compensation Table paid in February 1994 for performance during 1993, were based on the following results. Earnings per share were not high enough to exceed the threshold for award, although earnings improved from the previous year. Customer Satisfaction was at the threshold target level. Employee Teamwork did not result in an award. Cost Management and Operating Effectiveness (as measured by power plant equivalent availability) were better than the threshold level required for award.

LONG-TERM INCENTIVE PLAN

In 1992, the Board of Directors approved and the Company's shareholders ratified the LTIC Plan. The initial grant of stock options was made in that year. Awards under the LTIC Plan are made to individual officers based on their contribution to corporate performance as determined by this Committee. The Committee may grant awards in the form of stock options, stock appreciation rights, or restricted stock grants. The stock option grants for the officers named in the Summary Compensation Table were based on the Company's philosophy of providing a total compensation opportunity consistent with the practices and levels of the compensation peer group. The shares granted to the officers for 1993 represent a long-term incentive award based on Company and individual performance as evaluated by the Chairman and reviewed by the Committee.

CEO COMPENSATION

Larry Haab became Chairman and Chief Executive Officer ("CEO") of the Company on June 12, 1991. The Company based Mr. Haab's 1993 compensation on the policies and plans described above.



In setting the salary and incentive elements of Mr. Haab's compensation, the Committee made an overall assessment of Mr. Haab's leadership in achieving the Company's long-term strategic goals. Specific achievements considered were the results of his accomplishments of personal goals established mutually by him and the Board of Directors for 1993. The Committee determined that most goals were achieved and that his overall performance was leading the Company to achieving its strategic objectives.

The 1993 EIC Plan award for the Chief Executive Officer was calculated consistent with the determination of awards for all other officers. Under the terms of the plan, one-half of the award was paid in cash and one-half was converted to 1018.3502 stock units which vest over a three-year period as described above.

The 20,000 option shares granted to the CEO reflect the Committee's recognition of his work in directing the Company toward its long-term objectives of outstanding customer satisfaction and sustained growth in shareholder return.

COMPENSATION AND NOMINATING COMMITTEE

Donald S. Perkins, Chairman
Robert M. Powers
Walter D. Scott
Ronald L. Thompson
Marilou von Ferstel
John D. Zeglis

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Except as described below, no executive officer of the Company served as a (i) member of the compensation committee (or other Board committee serving similar functions, or in the absence of any such committee, the entire Board of Directors) of another entity, one of whose executive officers served on the Compensation and Nominating Committee or Board of Directors of the Company, or (ii) director of another entity, one of whose executive officers served on the Compensation and Nominating Committee of the Company. Donald S. Perkins, a member of the Board of Directors and Compensation and Nominating Committee of the Company, is a member of the Board of Directors of AT&T. John D. Zeglis, a member of the Board of Directors and Compensation and Nominating Committee of the Company, is an executive officer of AT&T.



STOCK PERFORMANCE GRAPHS

The following performance graphs compare the cumulative total shareholder return on the Company's Common Stock to the cumulative total return on the S&P 500 Index, S&P MidCap Index and S&P Utilities Index from (i) January 1, 1988 through December 31, 1993 and (ii) January 1, 1990 through December 31, 1993.

<TABLE>

[GRAPH APPEARS HERE]

COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN AMONG
ILLINOIS POWER, S&P 500 INDEX, S&P MIDCAP 400 AND S&P UTILITIES

<CAPTION>

| Measurement Period (Fiscal Year Covered) | ILLINOIS POWER | S&P 500 INDEX | S&P MIDCAP 400 | S&P UTILITIES |
|---|---|---|---|---|
| <S> | <C> | <C> | <C> | |
| Measurement Pt- | | | | |
| / /88 | $100 | $100 | $100 | $100 |
| FYE / /89 | $103 | $132 | $136 | $147 |
| FYE / /90 | $ 89 | $128 | $129 | $144 |
| FYE / /91 | $130 | $166 | $193 | $165 |
| FYE / /92 | $127 | $179 | $216 | $178 |
| FYE / /93 | $131 | $197 | $246 | $204 |

</TABLE>

Assumes $100 invested on January 1, 1988 in the Company's Common Stock, S&P 500 Index, S&P MidCap 400 Index, and S&P Utilities Index.

<TABLE>

[GRAPH APPEARS HERE]

COMPARISON OF THREE YEAR CUMULATIVE TOTAL RETURN AMONG
ILLINOIS POWER, S&P 500 INDEX, S&P MIDCAP 400 AND S&P UTILITIES

<CAPTION>

| Measurement Period (Fiscal Year Covered) | ILLINOIS POWER | S&P 500 INDEX | S&P MIDCAP 400 | S&P UTILITIES |
|---|---|---|---|---|
| <S> | <C> | <C> | <C> | |
| Measurement Pt- | | | | |
| / /90 | $100 | $100 | $100 | $100 |
| FYE / /91 | $146 | $130 | $150 | $115 |
| FYE / /92 | $142 | $140 | $168 | $124 |
| FYE / /93 | $147 | $155 | $191 | $142 |

</TABLE>

Assumes $100 invested on January 1, 1990 in the Company's Common Stock, S&P 500 Index, S&P MidCap 400 Index, and S&P Utilities Index.



SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

Illinova is the sole holder of the Company's Common Stock, and its address is 500 South 27th Street, Decatur, Illinois 62525-1805. The following are the only holders known by the Company to be the beneficial owners of more than five percent of any other class of the Company's outstanding stock.

<TABLE>
<CAPTION>

| TITLE OF CLASS | NAME AND ADDRESS OF BENEFICIAL OWNER | AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP | PERCENT OF CLASS |
|---|---|---|---|
| <S> | <C> | <C> | <C> |
| Serial Preferred Stock, Without par value | American Express Company<br>American Express Tower<br>World Financial Center<br>New York, NY 10285 | 303,245 shares(1) | 9.7% |
| Serial Preferred Stock, $50 par value | American General Corporation and Subsidiaries<br>2929 Allen Parkway<br>Houston, TX 77019 | 242,000 shares(2) | 7.4% |

</TABLE>

- - --------

(1) According to its Form 4 filing, American Express Company and its Subsidiaries beneficially own 303,245 shares of Serial Preferred Stock, without par value, as of February 18, 1994, as to which beneficial ownership is disclaimed, with sole power to vote and dispose of all shares.

(2) According to its Schedule 13G filing dated February 11, 1994, American General Corporation and Subsidiaries beneficially own 242,000 shares of Serial Preferred Stock, $50 par value (consisting of 211,100 shares of 8.00% Cumulative Preferred Stock, and 30,900 shares of 8.24% Cumulative Preferred Stock), and have shared power to vote or direct voting and shared power to dispose or direct disposition of all of such shares.

## COMPLIANCE WITH SECTION 16(A) OF THE SECURITIES EXCHANGE ACT OF 1934

Section 16(a) of the Securities Exchange Act of 1934 (the "Exchange Act") requires executive officers and directors, and persons who beneficially own more than ten percent (10%) of the Company's equity securities registered under the Exchange Act to file initial reports of ownership and reports of changes in ownership with the Securities and Exchange Commission ("SEC"). Executive officers, directors and greater than ten percent (10%) beneficial owners are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on a review of the copies of such forms furnished to the Company and written representations from the executive officers and directors, the Company believes that all Section 16(a) filing requirements applicable to its executive officers and directors were complied with during 1993, except that American Express Company was late in filing a Statement of Changes in Beneficial Ownership relating to a redemption by the Company of certain shares of Serial Preferred Stock without par value.

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In 1993, there were no transactions which are required to be disclosed pursuant to Item 404 of Regulation S-K of the SEC.



## AMENDMENT TO RESTATED ARTICLES OF INCORPORATION

At the Annual Meeting a vote will be taken on a proposal to amend the Company's Restated Articles of Incorporation by adding Article VIII (i) to limit the personal liability of the Company's directors to the Company or its shareholders for monetary damages arising from breach of fiduciary duty and (ii) to indemnify the Company's directors, officers, agents and other persons who provide services to Company, to the full extent permitted by the Illinois Business Corporation Act. The proposed amendment to limit the personal liability of the Company's directors is authorized by a change to the Illinois Business Corporation Act that became effective on January 1, 1994. The proposed amendment will assist the Company in attracting and retaining qualified individuals to serve the Company.

Approval of the proposed amendment requires the affirmative vote of the holders of at least two-thirds of all outstanding shares of Preferred Stock and Common Stock, voting together as a single class. Any subsequent change or repeal of the amendment would currently require the same vote.

### BACKGROUND

Until the amendment of the Illinois Business Corporation Act in July 1993, Illinois was one of the few states that had not taken action to protect corporate directors who acted in good faith but were nevertheless threatened with substantial liability from negligence claims. As a result of the change in the law, an Illinois corporation is now able to provide its directors with liability protection similar to that available from companies incorporated in the vast majority of other states, including Delaware. Liability is not limited under Illinois law if the acts or omissions of directors are in bad faith, involve intentional wrongdoing, violate certain statutory provisions, or result in profit or other advantage to which they are not legally entitled. Similarly, adoption of the proposed amendment would not limit a director's duty to comply with federal securities laws or affect his or her liability for a violation thereof. However, the proposed amendment could, under certain circumstances, eliminate a shareholder's cause of action against a director for monetary damages for breach of his or her fiduciary duty including grossly negligent business decisions relating to attempts to change control of the Company.

The directors of the Company may have a conflict of interest, at the potential expense of shareholders, in the adoption of the proposed amendment. The management of the Company has no knowledge of any pending or threatened proceedings against any director to which the proposed amendment would apply.

The Company's By-laws currently provide for indemnification of Company directors, officers, agents and other persons who serve the Company to the full extent permitted by the Illinois Business Corporation Act, and the proposed amendment would add such a provision to the Company's Restated Articles of Incorporation.

The Company currently maintains liability insurance policies which indemnify its directors and officers and the directors and officers of subsidiaries of the Company against loss arising from claims by reason of their legal liability for acts as such directors or officers, subject to limitations and conditions as set forth in the policies. Among other limitations, the primary policy states that no coverage is provided where payment would be contrary to applicable laws.

TEXT OF THE PROPOSED AMENDMENT

The text of Article VIII proposed to be added to the Company's Restated Articles of Incorporation is as follows:

(a) A director of the Corporation shall not be personally liable to the Corporation or its shareholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its shareholders, (ii) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, (iii) under Section 8.65 of the Business Corporation Act of the State of Illinois, or (iv) for any transaction from which the director derived an improper personal benefit. If the Business Corporation Act of the State of Illinois is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the full extent permitted by the Business Corporation Act of the State of Illinois, as so amended. Any repeal or



modification of this paragraph (a) by the shareholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

(b) Each person who is or was or had agreed to become a director or officer of the Corporation, and each person who is or was serving or who had agreed to serve at the request of the Board of Directors or an officer of the Corporation as an employee or agent of the Corporation or as a director, officer, employee, or agent, trustee or fiduciary of another corporation, partnership, joint venture, trust or other enterprise (including the heirs, executors, administrators or estate of such person), shall be indemnified by the Corporation to the full extent permitted by the Business Corporation Act of the State of Illinois or any other applicable laws as presently or hereafter in effect. Without limiting the generality of the foregoing, the Corporation may enter into one or more agreements with any person which provide for indemnification greater or different than that provided in this paragraph (b). Any repeal or modification of this paragraph (b) shall not adversely affect any right or protection existing hereunder immediately prior to such repeal or modification.

REASONS FOR THE PROPOSED AMENDMENT

Limitation of Director Liability. Directors of Illinois corporations are required, under Illinois law, to perform their duties in good faith and with that degree of care that an ordinarily prudent person in a like position would use under similar circumstances. A director may rely upon information, opinions and reports prepared by certain officers or employees, professional advisors, or committees of the Board. Decisions made on that basis are protected by the "business judgment rule" and should not be questioned by a court in the event of a lawsuit challenging such decisions. However, the expense of defending such lawsuits and the inevitable uncertainties of applying the business judgement rule to particular facts and circumstances mean, as a practical matter, that directors are not relieved of the threat of monetary damage awards. The Board of Directors of the Company, therefore, believes that the proposed amendment should be adopted in order to ensure that the Company will continue to be able to attract and retain competent, qualified and talented persons to serve as its directors.

Indemnification. Although the Company's By-Laws currently provide for the indemnification of its directors, officers, agents and other persons who serve the Company, such By-Laws could be changed unilaterally and without notice by the Company's Board of Directors. The proposed amendment would add such provisions to the Company's Restated Articles of Incorporation which can only be changed after action of the Company's shareholders after notice. Indemnification provisions in the Company's Restated Articles of Incorporation are thus less likely to be changed than similar provisions in its By-laws, and the enhanced stability, predictability and security which result from including such provisions in the Company's Restated Articles of Incorporation are expected to enhance the ability of the Company to attract and retain qualified persons to serve it.

EFFECT OF THE PROPOSED AMENDMENT

Limitation of Director Liability. The proposed amendment would protect the Company's directors against personal liability to the Company or its shareholders for any breach of duty unless a judgment or other final adjudication adverse to them establishes (i) a breach of duty of loyalty to the Company, (ii) acts or omissions in bad faith or involving intentional misconduct or a knowing violation of the law, (iii) acts violating the prohibitions contained in Section 8.65 of the Illinois Business Corporation Act against certain improper distributions of assets, or (iv) an improper personal benefit to a director to which he or she was not legally entitled.

The amendment as proposed would not reduce the fiduciary duty of a director; it merely limits monetary damage awards to the Company and its shareholders arising from certain breaches of the duty. It does not affect the availability of equitable remedies, such as the right to enjoin or rescind a transaction, based upon a director's breach of fiduciary duty. The amendment also does not affect a director's liability for acts taken or omitted prior to the time it becomes effective (after shareholder approval and upon filing with the Illinois Secretary of State). The limitation of liability afforded by the proposed amendment affects only actions brought by the Company or its shareholders, and does not preclude or limit recovery of damages by third parties.



Indemnification. The proposed amendment would not change the rights of the Company's directors, officers, agents and other persons who serve the Company to be indemnified by it to the full extent permitted by the Illinois Business Corporation Act, but would give them such rights under the Company's Restated Articles of Incorporation as well as under the its By-Laws.

INDEPENDENT AUDITORS

The Board of Directors of the Company has selected Price Waterhouse as independent auditors for the Company for 1994. A representative of Price Waterhouse will not be present at the Annual Meeting.

## ANNUAL REPORTS AND OTHER MATTERS

The Company's 1993 Annual Report to Shareholders was mailed to shareholders commencing on March 11, 1994. Copies of the Company's Annual Report on Form 10-K will be provided to shareholders, upon written request to Investor Relations, F-10, Illinois Power Company, 500 South 27th Street, Decatur, Illinois 62525-1805.

Any proposal by a stockholder to be presented at the next Annual Meeting must be received at the Company's executive offices not later than December 14, 1994.