

Long-Term Incentive Plans—Awards in Last Fiscal Year

	Number of Shares, Units or Other Rights (See Note 1)	Performance Period until Maturation or Payout	Estimated Future Payouts Under Non- Stock Price-Based Plans (See Note 2)		
			Threshold	Target	Maximum
			(#)	(#)	(#)
John W. Rowe	N/A	3 years	33,000	66,000	132,000
Robert S. Shapard	N/A	3 years	8,000	16,000	32,000
John L. Skolds	N/A	3 years	8,000	16,000	32,000
Pamela B. Strobel	N/A	3 years	8,000	16,000	32,000
Randall E. Mehrberg	N/A	3 years	8,000	16,000	32,000
Oliver D. Kingsley, Jr.	N/A	3 years	14,000	28,000	56,000

1. Exelon's Long-Term Performance Share Award program under the Long-Term Incentive Plan provides incentives to key executives in the form of restricted stock and cash. Awards are determined upon the successful completion of strategic goals designed to achieve long term business success and increased shareholder value. These goals include Exelon's TSR over the previous three years relative to established benchmarks including a peer group of companies listed on the Dow Jones Utility Index and the Standard & Poor's 500 Index and a quantifiable cash savings goal aligned with The Exelon Way initiative. Grants under the Long-Term Performance Share Award Program for 2004 are reflected in the Summary Compensation Table under "—Executive Compensation." See Note 2 to that table.
2. A target number of performance shares is established for each participant which is commensurate with the participant's base salary. Based on measured performance as described above, participants may earn up to 200% of their target and may earn nothing if thresholds are not met. Shares listed under the Threshold, Target and Maximum columns have been adjusted to reflect the 2 for 1 stock split effective on May 5, 2004.

Retirement Plans

The following tables show the estimated annual retirement benefits payable on a straight-life annuity basis to participating employees, including officers, in the earnings and year of service classes indicated, under Exelon's non-contributory retirement plans. The amounts shown in the table are not subject to any reductions for social security or other offset amounts.

Exelon sponsors the Exelon Corporation Retirement Program, a traditional defined benefit pension plan that covers certain management employees who commenced employment prior to January 1, 2001 and certain collective bargaining unit employees. Effective January 1, 2001, Exelon also established two cash balance defined benefit pension plans which cover management employees and certain collective bargaining unit employees hired on or after such date, as well as certain management employees hired prior to such date who elected to transfer to a cash balance plan. Each of these plans is intended to be tax-qualified under Section 401(a) of the Internal Revenue Code.

Covered compensation under the plans generally includes salary and bonus which is disclosed in the Summary Compensation Table under "—Executive Compensation" for the named executive officers. The calculation of retirement benefits under the Exelon Corporation Retirement Program is based upon average earnings for the highest consecutive five-year period under the PECO Energy Company Service Annuity Benefit Formula and for the highest four-year period (three-year for certain represented employees) under the ComEd Service Annuity Benefit Formula.

The Internal Revenue Code limits the individual annual compensation that may be taken into account under tax-qualified retirement plan to \$205,000 as of January 1, 2004 and the amount that an individual may accrue in one year under such a defined benefit plan to \$165,000 as of January 1, 2004. As permitted by the Employee Retirement Income Security Act of 1974, as amended, Exelon sponsors supplemental pension plans which allow the payment to certain individuals out of its general assets of any benefits calculated under provisions of the applicable qualified pension plan which may be above these limits.

PECO Energy Service Annuity Formula Table

Annual Normal Retirement Benefits Based on Specified Years of Service & Earnings

Highest 5-Year Average Earnings	10 years	15 years	20 years	25 years	30 years	35 years	40 years
\$ 100,000	\$ 18,960	\$ 25,940	\$ 32,921	\$ 39,901	\$ 46,881	\$ 53,861	\$ 60,841
200,000	39,460	54,190	68,921	83,651	98,381	113,111	127,841
300,000	59,960	82,440	104,921	127,401	149,881	172,361	194,841
400,000	80,460	110,690	140,921	171,151	201,381	231,611	261,841
500,000	100,960	138,940	176,921	214,901	252,881	290,861	328,841
600,000	121,460	167,190	212,921	258,651	304,381	350,111	395,841
700,000	141,960	195,440	248,921	302,401	355,881	409,361	462,841
800,000	162,460	223,690	284,921	346,151	407,381	468,611	529,841
900,000	182,960	251,940	320,921	389,901	458,881	527,861	596,841
1,000,000	203,460	280,190	356,921	433,651	510,381	587,111	663,841

Commonwealth Edison Service Annuity Formula Table

Annual Normal Retirement Benefits Based on Specified Years of Service & Earnings

Highest 4-Year Average Earnings	10 years	15 years	20 years	25 years	30 years	35 years	40 years
\$ 100,000	\$ 16,914	\$ 28,699	\$ 39,599	\$ 49,808	\$ 59,490	\$ 68,776	\$ 77,761
200,000	33,978	58,237	80,680	101,694	121,601	140,652	159,043
300,000	51,041	87,775	121,760	153,580	183,711	212,528	240,324
400,000	68,103	117,312	162,841	205,466	245,822	284,404	321,604
500,000	85,169	146,849	203,921	257,352	307,933	356,281	402,886
600,000	102,233	176,387	245,002	309,238	370,043	428,157	484,167
700,000	119,296	205,924	286,082	361,124	432,153	500,034	565,447
800,000	136,360	235,462	327,163	413,011	494,263	571,910	646,728
900,000	153,424	264,999	368,243	464,897	556,374	643,786	728,009
1,000,000	170,488	294,537	409,324	516,783	618,484	715,662	809,290

Credited Years of Service. The executive officers who are named in the Summary Compensation Table under "— Executive Compensation" have the following credited years of service for qualified and/or supplemental pension plan purposes as of December 31, 2004, (October 31, 2004 for Mr. Kingsley). (partial years are not included):

John W. Rowe	26 years
John L. Skolds	4 years
Pamela B. Strobel	20 years
Randall E. Mehrberg	4 years
Oliver D. Kingsley, Jr.	32 years

In addition, Mr. Mehrberg will receive an additional 10 years of service under the supplemental pension plan upon his 5th anniversary of employment, provided he does not earlier resign his employment. Mr. Skolds will receive an additional 7 1/2 years of service under the supplemental pension plan upon his 5th anniversary of employment and 7 1/2 years of service upon his 10th anniversary, provided he does not earlier resign his employment.

As of January 1, 2004, Exelon does not grant additional years of credited service to executives under the non-qualified pension plans that supplement the Exelon Corporation Retirement Program for any period in which services are not actually performed, except that up to two years of service credits may be provided under change in control agreements first entered into after such date. Service credits previously available under employment, change in control or severance agreements or arrangements (or any successor agreements or arrangements) are not affected by this policy.

Cash Balance Pension Plan. Mr. Shapard participates in the Exelon Corporation Cash Balance Pension Plan. Under that plan, a notional account is established for each participant. For each participant, the account balance grows as a result of annual benefit credits during the participant's period of employment and annual investment credits.

Currently, the benefit credit under the plan is 5.75% of base pay and annual incentive award (subject to applicable Internal Revenue Code limit). The annual investment credit is the greater of 4% or the average for the year of the S&P 500 Index and the applicable interest rate used under Section 417(e) of the Internal Revenue Code to determine lump sums, determined as of November of such year.

Benefits are vested and nonforfeitable after completion of at least five years of service, and are payable following termination of employment. Apart from the benefit credits and vesting requirement, and as described above, years of service are not relevant to a determination of accrued benefits under the Cash Balance Pension Plan.

As of January 1, 2004, Exelon does not grant additional years of credited service to executives under the non-qualified pension plan that supplements the Exelon Corporation Cash Balance Pension Plan for any period in which services are not actually performed, except that (1) service credits may be granted to a newly-hired executive to make the executive whole for the loss of pension benefits from the executive's prior employer, (2) performance-based service credits may be granted under the supplemental plan and (3) up to two years of service credits may be provided under change in control agreements first entered into after such date. Exelon will publicly disclose the methods used to determine any grants described under clauses (1) or (2) of the preceding sentence. Service credits previously available under employment, change in control or severance agreements or arrangements (or any successor agreements or arrangements) are not affected by this policy.

Employment Agreements

Employment Agreement with Mr. Rowe. Under the amended and restated employment agreement between Exelon and Mr. Rowe, Mr. Rowe has been serving as Chief Executive Officer of Exelon, Chairman of the Board and a member of the Exelon board of directors since the 2002 annual meeting of shareholders.

Under the employment agreement, which continues in effect until Mr. Rowe's termination, Mr. Rowe's annual base salary is determined by Exelon's compensation committee. He is eligible to participate in the annual incentive award program, long-term incentive plan and all savings, deferred compensation, retirement and other employee benefit plans generally available to other senior executives of Exelon on the same basis as other senior executives of Exelon. His life insurance coverage will be at least three times his base salary.

In addition, Mr. Rowe is entitled to receive a special supplemental executive retirement plan, the "SERP," benefit upon termination of employment for any reason other than for cause. The special

SERP benefit, when added to all other retirement benefits provided to Mr. Rowe by Exelon, will equal Mr. Rowe's SERP benefit, calculated under the terms of the SERP in effect on March 10, 1998 as if:

- he had attained age 60 (or his actual age, if greater);
- he had earned 20 years of service on March 16, 1998 and one additional year of service on each anniversary after that date and prior to termination; and
- his annual incentive awards for each of 1998 and 1999 had been \$300,000 greater than the annual incentive awards he actually received for those years.

On February 19, 1999, Mr. Rowe was granted a right to receive, on termination of employment, 24,688 shares of Exelon common stock, increased by the number of shares that could have been acquired with dividends on such number of shares after that date and subject to adjustment for events such as recapitalization, merger, or stock splits.

Except as provided below, if Exelon terminates Mr. Rowe's employment for reasons other than cause, death or disability or if he terminates employment for good reason, he would be entitled to the following benefits:

- a lump sum payment of Mr. Rowe's accrued but unpaid base salary and annual incentive, and a prorated annual bonus for the year in which his employment terminates;
- for a two-year severance period following the termination of employment, continued payment of base salary and continued payment of an annual incentive equal to either the annual incentive for the last year ending prior to termination or the average of the annual incentives payable with respect to Mr. Rowe's last three full years of employment, whichever is greater;
- for the two-year severance period, continuation of life, disability, accident, health and other welfare benefits for him and his family, plus post-retirement health care coverage for him and his wife for the remainder of their respective lives;
- all exercisable options remain exercisable until the applicable option expiration date;
- unvested options continue to become exercisable during the two-year severance period and thereafter remain exercisable until the applicable option expiration date; and
- unvested performance shares become vested and no longer subject to restrictions, with any performance shares for the year in which the termination occurs becoming vested as if the target award for such year were met.

The term "good reason" means any material breach of the employment agreement by Exelon, including:

- a failure to provide compensation and benefits required under the employment agreement;
- causing Mr. Rowe to report to someone other than the Exelon board of directors;
- any material adverse change in Mr. Rowe's status, responsibilities or perquisites; or
- any announcement by the Exelon board of directors without Mr. Rowe's consent that Exelon is seeking a replacement for Mr. Rowe.

The term "cause" means any of the following:

- conviction of a felony or a misdemeanor involving moral turpitude, fraud or dishonesty;
- willful misconduct in the performance of duties intended to personally benefit the executive; or

- material breach of the agreement (other than as a result of incapacity due to physical or mental illness), unless cured within the time specified in the agreement.

In connection with Exelon's entry into the merger agreement, Mr. Rowe's employment agreement was amended to provide that Mr. Ferland's service as non-executive Chairman of the Exelon board of directors for the periods described in the Amended and Restated By-laws of Exelon to be adopted upon completion of the merger will not constitute "good reason." Therefore, Mr. Rowe is not entitled to any severance payments as a result of the merger with PSEG.

Mr. Rowe would receive the termination benefits described under "—Other Change in Control Employment Agreements and Severance Plan" below rather than the benefits described in the previous paragraph, if Exelon terminates Mr. Rowe without cause or he terminates with good reason, and

- the termination occurs within 24 months after a change in control of Exelon or within 18 months after a Significant Acquisition (as each is described under "—Other Change in Control Employment Agreements and Severance Plan"); or
- Mr. Rowe resigns before normal retirement because of the failure to be appointed or elected as the sole Chief Executive Officer and Chairman of the Board and as a member of the Exelon board of directors,

except that:

- instead of receiving the target annual incentive for the year in which termination occurs, Mr. Rowe will receive an annual incentive award for the year in which termination occurs, based on the higher of the prior year's annual incentive payment or the average annual incentives paid over the prior three years;
- in determining the severance payment for Mr. Rowe, the average incentive awards for three years preceding the termination will be used rather than a two year average;
- following the three-year period during which welfare benefits are continued, Mr. Rowe and his wife will be eligible to receive post-retirement health care coverage; and
- change in control benefits are not provided to Mr. Rowe for a termination of employment in the event of a Disaggregation (see "—Other Change in Control Employment Agreements and Severance Plan" for a discussion of this term).

With respect to a termination of employment during the change in control or Significant Acquisition periods described above, the following events will constitute additional grounds for termination for good reason:

- a good faith determination by Mr. Rowe that he is substantially unable to perform, or that there has been a material reduction in, any of his duties, functions, responsibilities or authority;
- the failure of any successor to assume his employment agreement;
- a relocation of Exelon's office by more than 50 miles; or
- a 20% increase in the amount of time that Mr. Rowe must spend traveling for business outside of the Chicago area.

Mr. Rowe is subject to confidentiality restrictions and to non-competition, non-solicitation and non-disparagement restrictions continuing in effect for two years following his termination of employment.

Employment Agreement and Share Purchase Agreement with Mr. Oliver D. Kingsley. Mr. Kingsley retired on November 1, 2004 as President and Chief Operating Officer of Exelon.

The terms of Mr. Kingsley's employment agreement with Exelon prior to his retirement are described below.

Exelon and Exelon Generation entered into an amended employment agreement with Mr. Kingsley as of September 5, 2002, which restated his employment agreement with Commonwealth Edison Company in effect at the time of the merger forming Exelon and under which Mr. Kingsley agreed to serve as senior executive vice president of Exelon. Mr. Kingsley's employment agreement was further amended as of April 28, 2003, at which time he agreed to serve as President and Chief Operating Officer of Exelon.

Under the amended employment agreement, Mr. Kingsley's annual base salary was \$850,000, and his target performance award under the annual incentive plan was 85% of his base salary, with a maximum payout of 170% of his base salary. Mr. Kingsley was eligible to participate in long-term incentive, stock option, and other equity incentive plans, savings and retirement plans and welfare plans, and to receive fringe benefits on the same basis as peer executives of Exelon. Mr. Kingsley was also entitled to 30 days of paid vacation per year.

In addition, Exelon will reimburse Mr. Kingsley for his daughter's medical care expenses for a 15-year period (up to \$100,000 in any year) that commenced upon his retirement.

Mr. Kingsley received a grant of 35,000 shares of restricted stock on September 5, 2002, which accelerated upon his retirement on October 31, 2004.

Mr. Kingsley became eligible to elect retiree health coverage on the same terms as peer employees eligible for early retirement benefits at the time of his retirement. All restricted stock and all his stock options fully vested at the time of his retirement. Options remain exercisable until (1) the option expiration date for options granted before January 1, 2002 or (2) the earlier of the fifth anniversary of his retirement or the option's expiration date, for options granted after that date.

Mr. Kingsley's amended employment agreement provides for an enhanced supplemental retirement benefit determined by treating him under the SERP as if he had 30 years of service as of October 31, 2002, plus (1) one additional year each October 31 during his employment and (2) an additional year for each year during the severance period described below. Severance payments will be included in compensation under the SERP. The enhanced SERP benefits were paid to Mr. Kingsley upon his retirement.

Mr. Kingsley's amended employment agreement contains confidentiality requirements and also non-competition, non-solicitation and non-disparagement provisions, which are effective for two years following his retirement.

On November 8, 2004, Exelon entered into a share repurchase agreement with Mr. Kingsley with respect to certain shares of Exelon common stock that Mr. Kingsley held or had the right to acquire. Under the agreement, Exelon repurchased 172,765 shares of Exelon common stock held by Mr. Kingsley on November 17, 2004 for \$7,032,387 and 187,235 shares of Exelon common stock held by Mr. Kingsley on February 9, 2005 for \$8,297,933.

Mr. Kingsley has agreed that he will not transfer any of his remaining shares of Exelon common stock prior to May 1, 2005, that he may transfer up to 360,000 shares of Exelon common stock between May 1, 2005 and December 31, 2005, and may freely transfer any other shares after January 1, 2006. During the transfer restriction periods, the agreement does permit transfers of shares to two specified Kingsley family trusts, which would be bound by the provisions of the agreement following any such transfer.

Other Change in Control Employment Agreements and Severance Plan. Exelon has entered into change in control employment agreements with the named executive officers other than Mr. Rowe, which generally protect such executives' position and compensation levels for two years after a change in control of Exelon. Those agreements were restated and generally became effective May 1, 2004 for a period of two years, subject to an annual extension each subsequent May 1 if there has not been a change in control. Under the restated change in control employment agreements, the circumstances

under which an executive can terminate employment for "good reason" are narrower and the circumstances under which Exelon can terminate the executive's employment for "cause" are broader than under the prior agreements. However, the definition of a change in control was not changed and the level of severance benefits was not reduced under the restated agreements.

During the 24-month period following a change in control (or during the 18-month period following another significant corporate transaction affecting the executive's business unit in which Exelon shareholders retain between 60% and 66²/₃% control (a "Significant Acquisition")) if a named executive officer resigns for good reason or if the executive's employment is terminated by Exelon other than for cause or disability, the executive is entitled to the following:

- the executive's target annual incentive for the year in which termination occurs;
- severance payments equal to three times the sum of (1) the executive's base salary plus (2) the higher of the executive's target annual incentive for the year of termination or the executive's average annual incentive award payments for the two years preceding the termination;
- a benefit equal to the amount payable under the SERP determined as if (1) the SERP benefit were fully vested, (2) the executive had three additional years of age and years of service (two years for executives who entered into such agreements after 2003) and (3) the severance pay constituted covered compensation for purposes of the SERP;
- a cash payment equal to the actuarial equivalent present value of the unvested portion of the executive's accrued benefits under Exelon's defined benefit retirement plan;
- all options, performance shares or units, deferred stock units, restricted stock, or restricted share units become fully vested, and options remain exercisable until (1) the option expiration date, for options granted before January 1, 2002 or (2) the earlier of the fifth anniversary of his termination date or the option's expiration date, for options granted after that date;
- life, disability, accident, health and other welfare benefit coverage continues for three years, followed by retiree health coverage if the executive has attained at least age 50 and completed at least ten years of service (or any lesser eligibility requirement then in effect for regular employees); and
- outplacement services for at least twelve months.

The change in control benefits are also provided if the executive is terminated other than for cause or disability, or terminates for good reason (1) after a tender offer or proxy contest commences, or after Exelon enters into an agreement which, if consummated, would cause a change in control, and within one year after such termination a change in control does occur, or (2) within two years after a sale or spin-off of the executive's business unit in contemplation of a change in control that actually occurs within 60 days after such sale or spin-off (a "Disaggregation").

A change in control generally occurs:

- when any person acquires 20% of Exelon's voting securities;
- when the incumbent members of the Exelon board of directors (or new members nominated by a majority of incumbent directors) cease to constitute at least a majority of the members of the Exelon board of directors;
- upon consummation of a reorganization, merger or consolidation, or sale or other disposition of at least 50% of Exelon's operating assets (excluding a transaction where Exelon shareholders retain at least 60% of the voting power); or
- upon shareholder approval of a plan of complete liquidation or dissolution.

"Good reason," under the change in control employment agreements generally includes any of the following occurring within 2 years after a change in control or Disaggregation or within 18 months after a Significant Acquisition:

- a material adverse reduction in salary, incentive compensation opportunity or aggregate benefits, unless such reduction is part of a policy, program or arrangement applicable to peer executives;
- failure of a successor to assume the agreement;
- a material breach of the agreement by Exelon; or
- any of the following, but only after a change in control or Disaggregation: (1) a material adverse reduction in the executive's position, duties or responsibilities (other than a change in the position or level of officer to whom the executive reports or a change that is part of a policy, program or arrangement applicable to peer executives) or (2) a required relocation by more than 50 miles.

"Cause" under the change in control employment agreements generally includes any of the following:

- refusal to perform or habitual neglect in the performance of duties or responsibilities or of specific directives of the officer to whom the executive reports which are not materially inconsistent with the scope and nature of the executive's duties and responsibilities;
- willful or reckless commission of acts or omissions which have resulted in or are likely to result in a material loss or material damage to the reputation of Exelon or any of its affiliates, or that compromise the safety of any employee;
- commission of a felony or any crime involving dishonesty or moral turpitude;
- material violation of the code of business conduct which would constitute grounds for immediate termination of employment, or of any statutory or common-law duty of loyalty; or
- any breach of the executive's restrictive covenants.

The mere occurrence of a Disaggregation is not "good reason."

Executives who have entered into change in control employment agreements will be eligible to receive an additional payment to cover excise taxes imposed under Section 4999 of the Internal Revenue Code on "excess parachute payments" or under similar state or local law if the after-tax amount of payments and benefits subject to these taxes exceeds 110% of the "safe harbor" amount that would not subject the employee to these excise taxes. If the after-tax amount, however, is less than 110% of the safe harbor amount, payments and benefits subject to these taxes would be reduced or eliminated to equal the safe harbor amount.

If a named executive officer other than Mr. Rowe resigns for good reason or is terminated by Exelon other than for cause or disability, in each case under circumstances not covered by an individual change in control employment agreement, the named executive officer may be eligible for the following non-change in control benefits under the Exelon Corporation Senior Management Severance Plan:

- pro-rated payment of the executive's target annual incentive for the year in which termination occurs;
- for a two-year severance period, continued payment of base salary and continued payment of annual incentive equal to the executive's target incentive for the year in which the termination occurs;
- a benefit equal to the amount payable under the SERP determined as if the severance payments were paid as ordinary base salary and annual incentive;

- for the two-year severance period, continuation of health, basic life and other welfare benefits the executive was receiving immediately prior to the severance period, followed by retiree health coverage if the executive has attained at least age fifty and completed at least ten years of service (or any lesser eligibility requirement then in effect for regular employees); and
- outplacement services for at least six months.

Payments are subject to reduction by Exelon to the extent necessary to avoid imposition of excise taxes imposed by Section 4999 of the Internal Revenue Code on "excess parachute payments" or under similar state or local law.

Consummation of the merger is not a change in control and is not expected to be a Significant Acquisition under the change in control employment agreements or the Exelon Corporation Senior Management Severance Plan. However, the Exelon compensation committee recently considered changes to the Senior Management Severance Plan that would provide the following benefits to participating executives whose employment terminates in connection with the merger: (1) the executive's target annual incentive, rather than a pro-rated target annual incentive, for the year in which termination occurs, (2) use of the higher of the executive's target annual incentive in the year of termination or the executive's average annual incentives for the two years preceding termination, for purposes of determining the amount of continued annual incentive during the severance period, and (3) accelerated vesting of outstanding stock options and restricted stock awards. No such changes have been formally adopted to date, but it is currently anticipated that such changes may be adopted on or before the closing of the merger.

"Good reason" is defined under the Senior Management Severance Plan as either of the following:

- a material reduction of the executive's salary, incentive compensation opportunity or aggregate benefits unless such reduction is part of a policy, program or arrangement applicable to peer executives of Exelon or of the business unit that employs the executive; or
- a material adverse reduction in the executive's position or duties (other than a change in the position or level of officer to whom the executive reports) that is not applicable to peer executives of Exelon or of the business unit that employs the executive, but excluding any change (1) resulting from a reorganization or realignment of all or a significant portion of the business, operations or senior management of Exelon or of the business unit that employs the executive or (2) that generally places the executive in substantially the same level of responsibility.

The definition of "cause" under the Senior Management Severance Plan is the same as the definition of such term under the restated individual change in control employment agreements.

Exelon may also offer retention incentives to other selected employees whose continued services during the period prior to the closing are considered essential.

Report of the Exelon Audit Committee

In fulfilling its responsibilities, the Exelon audit committee has reviewed and discussed the audited financial statements contained in the 2004 Annual Report on SEC Form 10-K with Exelon Corporation's management and the independent accountants. The Exelon audit committee discussed with the independent accountants the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended. In addition, the Exelon audit committee has discussed with the independent accountants the accountants' independence from Exelon Corporation and its management, including the matters in the written disclosures required by Independence Standard Board Standard No. 1, Independence Discussions with Audit Committees.

In reliance on the reviews and discussions referred to above, the Exelon audit committee recommended to the Exelon board of directors (and the Exelon board of directors has approved) that

the audited financial statements be included in Exelon Corporation's Annual Report on Form 10-K for the year ended December 31, 2004, for filing with the SEC.

The committee has a charter that has been approved by the Exelon board of directors. A copy of the Exelon audit committee charter is attached to this joint proxy statement/prospectus as *Annex G*.

February 22, 2005

Audit Committee

John M. Palms, Chair

M. Walter D'Alessio

Sue L. Gin

Richard L. Thomas

Transactions with Management and Others

Pamela B. Strobel is an Executive Vice President of Exelon, and until April 2003 was the Vice Chair and Chief Executive Officer of Exelon Energy Delivery Company, the Chairman of Commonwealth Edison Company and PECO Energy Company, all of which are subsidiaries of Exelon. Ms. Strobel's husband, Russ M. Strobel, was elected President of Nicor Inc. in October 2002 and Chief Executive Officer of Nicor Gas, a subsidiary of Nicor, in November 2003, and was elected Chief Executive Officer of Nicor and appointed to the board of directors of Nicor and Nicor Gas in January 2004. Since January 1, 2004, Nicor Gas and ComEd have been parties to the following transactions, proposed transactions or business dealings:

- Nicor Gas and ComEd are parties to an interim agreement approved by the Illinois Commerce Commission under which they cooperate in cleaning up residue at former manufactured gas plant sites. Under the interim agreement, costs are split evenly between Nicor Gas and ComEd, except that if they cannot agree upon a final allocation of costs, the interim agreement provides for arbitration. For the year 2004, Nicor Gas billed ComEd \$1,511,794.13 and ComEd billed Nicor Gas \$13,730,040.63. For year 2005, ComEd estimates that Nicor Gas will bill ComEd approximately \$3,570,000 and that ComEd will bill Nicor Gas approximately \$8,520,000.
- Nicor Gas and Exelon Power Team are parties to an agreement entered into in May 2000 and expiring in May 2005, pursuant to which Nicor Gas transports gas to an electric generating station in Rockford, Illinois. In 2004, Exelon Power Team made \$2,052,394 in payments under this agreement, and estimates that it will make payments of approximately \$2,046,298 to Nicor Gas in 2005.

Blank Rome LLP provided legal services to Exelon during 2004 and 2003. The firm has also provided legal and other related services to Exelon during 2005. Mr. Diaz, a member of the Exelon board of directors, became a partner of Blank Rome LLP in March 2004.

Section 16(a) Beneficial Ownership Reporting Compliance

Based upon signed affirmations received from directors and officers, as well as administrative review of company plans and accounts administered by private brokers on behalf of directors and officers which have been disclosed to Exelon by the individual directors and officers, Exelon believes that its directors and officers made all required filings on a timely basis during 2004. However, in conducting a thorough review of the holdings of directors through brokers, Exelon discovered one filing that was not made on a timely basis. On June 1, 2004, Mr. G. Fred DiBona Jr.'s broker liquidated Mr. DiBona's Keogh account to transfer the account to another broker. Mr. DiBona was unaware that the account was being liquidated or that the account included a small amount of Exelon stock. The broker apparently overlooked his prior agreement to obtain approval before trading Exelon stock on behalf of Mr. DiBona. When the failure to report was discovered, Exelon immediately reviewed the details of the transaction with the reporting individual and made the necessary filing.

Beneficial Ownership

The following table shows the ownership of Exelon Corporation common stock as of April 30, 2005 by (1) any person or entity that has publicly disclosed ownership of more than 5% of Exelon's outstanding stock, (2) each director, (3) each executive officer named in the Summary Compensation Table, and (4) all directors and executive officers as a group.

Beneficial Ownership Table

	Beneficially Owned Shares (See Note 1) [A] (#)	Shares Held in Company Plans (See Note 2) [B] (#)	Total Shares Held [C] = [A] + [B] (#)	Share Equivalents to be Settled in Cash or Stock (See Note 3) [D] (#)	Total Share Interest [E] = [C] + [D] (#)
5% Owners (see Note 5)					
Wellington Management Company, LLP	42,937,621		42,937,621		42,937,621
Barclays Global Investors, NA Capital Research and Management Company	47,021,765		47,021,765		47,021,765
	37,541,800		37,541,800		37,541,800
Directors					
Edward A. Brennan	8,068	11,727	19,795	10,371	30,166
M. Walter D'Alessio(6)	10,690	30,320	41,010	—	41,010
Nicholas DeBenedictis(7)	1,000	5,103	6,103	—	6,103
Bruce DeMars	9,225	9,197	18,422	—	18,422
Nelson A. Diaz	500	1,624	2,124	509	2,633
G. Fred DiBona, Jr.	1,600	15,260	16,860	—	16,860
Sue L. Gin	26,119	10,707	36,826	5,754	42,580
Rosemarie B. Greco	2,000	13,439	15,439	4,671	20,110
Edgar D. Jannotta	13,240	20,322	33,562	7,982	41,544
John M. Palms	2,326	24,986	27,312	—	27,312
William C. Richardson(8)	—	111	111	—	111
Thomas J. Ridge(9)	—	—	—	—	—
John W. Rogers, Jr.	11,374	11,146	22,520	5,671	28,191
Ronald Rubin	14,835	30,206	45,041	759	45,800
Richard L. Thomas	21,440	16,316	37,756	9,173	46,929
Named Officers					
John W. Rowe	2,261,156	316,341	2,577,497	88,183	2,665,680
Robert S. Shapard(10)	—	27,139	27,139	991	28,130
John L. Skolds	327,685	94,820	422,505	20,504	443,009
Pamela B. Strobel	391,171	93,514	484,685	18,108	502,793
Randall E. Mehrberg	194,000	63,985	257,985	15,530	273,515
Oliver D. Kingsley, Jr.(11)	554,603	—	554,603	—	554,603
Total					
Directors & Executive Officers as a group, 25 people (See Note 4)	4,955,493	1,097,320	6,052,813	216,943	6,269,756

1. The shares listed above under Beneficially Owned Shares, Column [A], include shares that may be acquired from non-qualified stock options that are fully vested or that vest within 60 days after April 30, 2005.

2. The shares listed above under Shares Held in Company Plans, Column [B], include restricted shares, deferred shares, and that portion of unvested performance shares that will be distributed as stock upon vesting.
3. The shares listed above under Equivalent Shares to be Settled in Cash or Stock, Column [D], include the unvested portion of performance shares which may be settled in either cash or stock depending on whether the officer has achieved 125% of his or her stock ownership requirement, and phantom shares held in a non-qualified deferred compensation plan which will be settled in cash on a 1 for 1 basis upon retirement or termination.
4. Beneficial ownership, shown in Column [A], of directors and executive officers as a group represents less than 1% of the outstanding shares of Exelon common stock.
5. In a Schedule 13G filed with the SEC on February 14, 2005, an investment adviser, Wellington Management Company, LLP, 75 State Street, Boston, MA 02109, disclosed that as of December 31, 2004, it was the beneficial owner of 42,937,621 shares or approximately 6.481% of Exelon's issued and outstanding shares. Wellington disclosed that it shared power to vote 24,094,410 shares and shared power to dispose of 42,937,621 shares.

In a Schedule 13G filed with the SEC on February 14, 2005, a bank, Barclays Global Investors, NA, 45 Fremont Street, San Francisco, CA 94105, and its affiliates, including banks, investment advisers and broker/dealers, disclosed that as of December 31, 2004, they were the beneficial owners of an aggregate of 47,021,765 shares, or approximately 7.09% of Exelon's issued and outstanding shares. Barclays disclosed that it had the sole power to vote 41,789,460 shares and sole power to dispose of 47,021,765 shares.

In a Schedule 13G filed with the SEC on February 11, 2005, an investment adviser, Capital Research and Management Company, 333 South Hope Street, Los Angeles, CA 90071, disclosed that as of December 31, 2004, it is deemed to be the beneficial owner of 37,541,800 shares, or approximately 5.7% of Exelon's issued and outstanding shares, although it disclaimed beneficial ownership pursuant to Rule 13d-4. Capital Research disclosed that it had sole dispositive power of 37,541,800 shares.

6. On February 23, 2005, Mr. D'Alessio exercised 6,000 stock options in which he swapped 1,931 previously owned shares and retained the 6,000 shares from the option exercise.
7. On February 23, 2005, Mr. DeBenedictis purchased 1,000 shares in an open market transaction.
8. On March 1, 2005, William C. Richardson became a director of Exelon.
9. On May 2, 2005, Thomas J. Ridge became a director of Exelon. He currently owns no Exelon shares.
10. On February 28, 2005, Mr. Shapard resigned his position. Effective March 1, 2005 he forfeited all restricted shares, unvested performance shares, and unvested stock options. He subsequently exercised all vested stock options.
11. On February 9, 2005, Exelon purchased 187,235 shares from Mr. Kingsley pursuant to a share repurchase agreement. On April 1, 2005, pursuant to his previous election, Mr. Kingsley received the cash value of 6,499 phantom shares previously held in a non-qualified deferred compensation plan.

**EXELON PROPOSAL 3:
AMENDMENT TO EXELON CORPORATION'S
AMENDED AND RESTATED ARTICLES OF INCORPORATION**

General

The Exelon board of directors has adopted, subject to shareholder approval, an amendment to Exelon's Amended and Restated Articles of Incorporation to provide for an increase in the number of authorized shares of Exelon common stock from 1,200,000,000 to 2,000,000,000 as set forth in *Annex E*. In the event this proposal is adopted by Exelon shareholders, but the merger agreement is terminated (without the merger being completed) prior to the filing of articles of amendment with the Secretary of State of the State of Pennsylvania giving effect to the amendment, Exelon will still file the articles of amendment.

As of May 2, 2005, Exelon had 669,137,081 shares of Exelon common stock issued and outstanding. As of May 2, 2005, there were approximately 29,000,000 shares of Exelon common stock reserved for issuance pursuant to outstanding Exelon stock options and other equity-based awards. Based on the number of shares of PSEG common stock outstanding and assuming the issuance of additional shares of PSEG common stock to raise up to \$350 million of capital, as permitted by the merger agreement, at an assumed price of \$55.10 per share as of May 25, 2005, if the merger is completed, Exelon will issue approximately 314,000,000 additional shares of Exelon common stock to the PSEG shareholders. Based on the number of outstanding PSEG stock options and equity-based awards, if the merger is completed, Exelon will reserve for issuance approximately 7,200,000 additional shares of Exelon common stock. Based on these numbers, as of May 25, 2005, if the merger is completed, Exelon will have only approximately 181,000,000 shares of Exelon common stock authorized that are not outstanding and not reserved for issuance.

Although Exelon's management currently has no definitive plans for the issuance of any additional authorized shares of Exelon common stock, the authorization of additional shares of Exelon common stock would permit the issuance for future stock dividends, possible acquisitions, stock option plans, and other appropriate corporate purposes. The additional shares of Exelon common stock will not be entitled to preemptive rights nor will existing shareholders have any preemptive right to acquire any of those shares when issued.

The Exelon board of directors recommends a vote "FOR" the proposal to amend Exelon's Amended and Restated Articles of Incorporation to increase the number of authorized shares of Exelon common stock from 1,200,000,000 to 2,000,000,000.

Vote Required

Approval of the proposal to amend Exelon's Amended and Restated Articles of Incorporation requires the affirmative vote of a majority of the votes cast by holders of shares of Exelon common stock present in person or by proxy and entitled to vote on the proposal, assuming a quorum is present.

**EXELON PROPOSAL 4: RATIFICATION OF PRICEWATERHOUSECOOPERS
AS EXELON'S INDEPENDENT ACCOUNTANTS FOR 2005**

General

The Exelon board of directors selected PricewaterhouseCoopers LLP to be the independent accountants for Exelon Corporation and its subsidiaries in 2000 through a formal bidding process, and the shareholders voted to retain them for 2001, 2002, 2003 and 2004. The Exelon audit committee and the Exelon board of directors believe that PricewaterhouseCoopers' knowledge of Exelon is invaluable, especially as Exelon moves to greater competition in the energy market. Representatives of PricewaterhouseCoopers working on Exelon matters are periodically changed, providing Exelon with new expertise and experience. Representatives of PricewaterhouseCoopers have direct access to members of the Exelon audit committee and regularly attend their meetings. Representatives of PricewaterhouseCoopers will attend the annual meeting to answer appropriate questions and make a statement if they desire.

In 2004, the Exelon audit committee reviewed the PricewaterhouseCoopers audit plan for 2005 and proposed fees and concluded that the scope of the audit was appropriate and the proposed fees were reasonable.

Fees

Audit Fees. The aggregate fees billed for professional services rendered by PricewaterhouseCoopers for the fiscal years ended December 31, 2004 and 2003 for the audit of Exelon's annual financial statements included in the Annual Report on Form 10-K, and for the reviews of the quarterly financial statements included in the Quarterly Reports on Form 10-Q or services that are normally provided by the independent accountants in connection with statutory and regulatory filing or engagements were \$6,976,011 for 2004 and \$3,968,729 for 2003.

Audit-Related Fees. The aggregate fees for assurance and related services reasonably related to the performance of the audit of Exelon's annual financial statements for the fiscal years ended December 31, 2004 and 2003 or reviews of the financial statements included in the Quarterly Reports on Form 10-Q and not included in the preceding paragraph were \$2,127,923 for 2004 and \$2,393,698 for 2003. These services included services traditionally performed by the independent accountants such as accounting assistance and due diligence in connection with proposed acquisitions or sales, employee benefit plan audits, internal control reviews, and consultations concerning financial accounting and reporting standards.

Tax Fees. The aggregate fees billed for professional services rendered by PricewaterhouseCoopers for tax compliance, tax advice and tax planning for the fiscal years ended December 31, 2004 and 2003 were \$593,903 for 2004 and \$421,327 for 2003. These services included tax compliance and preparation services, including the preparation of original and amended tax returns, claims for refunds, and tax payment planning, costing \$580,148 in 2004 and \$398,269 in 2003, and tax advice and consulting services, including assistance and representation in connection with tax audits and appeals, tax advice related to proposed acquisitions or sales, employee benefit plans and requests for rulings or technical advice from taxing authorities, costing \$13,755 in 2004 and \$23,118 in 2003.

All Other Fees. The aggregate fees billed for services rendered by PricewaterhouseCoopers, other than for the services covered in the three preceding paragraphs, for the fiscal years ended December 31, 2004, and 2003 were \$45,387 for 2004 and \$60,630 for 2003. In 2004 and 2003 these services included corporate executive programs.

In July 2002 the Exelon audit committee adopted a policy for pre-approval of services to be performed by the independent accountants. The Exelon audit committee pre-approves annual budgets

for audit, audit-related and tax compliance and planning services. The services that the Exelon audit committee will consider include services that do not impair the accountant's independence and add value to the audit, including audit services such as attest services and scope changes in the audit of the financial statements, audit-related services such as accounting advisory services related to proposed transactions and new accounting pronouncements, the issuance of comfort letters and consents in relation to financings, the provision of attest services in relation to regulatory filings and contractual obligations, and tax compliance and planning services. With respect to non-budgeted services in amounts less than \$500,000, the Exelon audit committee delegated authority to the committee's chairman to pre-approve such services. All other services must be pre-approved by the Exelon audit committee. The Exelon audit committee receives quarterly reports on all fees paid to the independent accountants. None of the services provided by the independent accountants was provided pursuant to the de minimis exception to the pre-approval requirements contained in the SEC's rules.

The Exelon audit committee and the Exelon board of directors recommend a vote FOR the proposal to ratify PricewaterhouseCoopers LLP as Exelon's independent accountants for 2005.

Vote Required

Approval of the proposal to ratify PricewaterhouseCoopers LLP as Exelon's independent accountants for 2005 requires the affirmative vote of a majority of the votes cast by holders of shares of Exelon common stock present in person or by proxy and entitled to vote on the proposal, assuming a quorum is present.

**EXELON PROPOSAL 5: APPROVAL OF EXELON CORPORATION
2006 LONG-TERM INCENTIVE PLAN**

General

The Exelon board of directors is proposing for shareholder approval the Exelon Corporation 2006 Long-Term Incentive Plan (the "2006 Plan"). The purposes of the 2006 Plan are:

- to align the interests of Exelon shareholders and recipients of awards under the 2006 Plan by increasing the proprietary interest of such recipients in Exelon's growth and success;
- to advance the interests of Exelon by attracting and retaining officers and other key management employees; and
- to motivate such persons to act in the long-term best interests of Exelon and its shareholders.

Under the 2006 Plan, Exelon may grant:

- non-qualified stock options;
- "incentive stock options" (within the meaning of Section 422 of the Internal Revenue Code);
- stock appreciation rights ("SARs");
- restricted stock and restricted stock units, including performance share awards ("Stock Awards"); and
- performance units.

As of May 1, 2005, approximately 900 employees would be eligible to participate in the 2006 Plan.

Plan Highlights

Some of the key features of the 2006 Plan include:

- the 2006 Plan will be administered by a committee of the Exelon board of directors that is comprised entirely of independent directors;
- options or SARs granted under the 2006 Plan may not be repriced without shareholder approval;
- the number of shares initially authorized for grants under the 2006 Plan is limited to 24,000,000 (increased by the number of shares remaining available for future grants under Exelon's current Long-Term Incentive Plan, and subject to adjustment as described below);
- the number of shares initially authorized for grants of Stock Awards and performance units under the 2006 Plan is limited to 8,000,000 (increased by the number of shares remaining available for future grants under Exelon's current Long-Term Incentive Plan, and subject to adjustment as described below); and
- the purchase price of options and the base price for SARs granted under the 2006 Plan may not be less than the fair market value of Exelon common stock on the date of grant.

Description of the 2006 Plan

The following description is qualified in its entirety by reference to the plan document, a copy of which is attached as *Annex H* and incorporated into this joint proxy statement/prospectus by reference.

Administration. The 2006 Plan will be administered by a committee of the Exelon board of directors (the "Plan Committee"). Each member of the Plan Committee will be a "non-employee director" within the meaning of Rule 16b-3 under the Exchange Act, will be an "outside director"

within the meaning of Section 162(m) of the Internal Revenue Code and "independent" within the meaning of the rules of the New York Stock Exchange.

Subject to the express provisions of the 2006 Plan, the Plan Committee will have the authority to select eligible persons to receive awards and determine all of the terms and conditions of each award. All awards will be evidenced by a written agreement containing such provisions not inconsistent with the 2006 Plan as the Plan Committee will approve. The Plan Committee will also have authority to establish rules and regulations for administering the 2006 Plan and to decide questions of interpretation or application of any provision of the 2006 Plan. The Plan Committee may, subject to Section 162(m) of the Internal Revenue Code, take any action such that (1) any outstanding options and SARs become exercisable in part or in full, (2) all or any portion of a restricted period on any restricted stock or restricted stock units lapse, (3) all or a portion of any performance period applicable to any performance shares or performance units lapse and (4) any performance measures applicable to any outstanding award be deemed satisfied at the target level or any other level.

Except with respect to (1) grants to officers of Exelon who are subject to Section 16 of the Exchange Act or whose title with Exelon is "executive vice president" or higher or decisions concerning the timing, pricing or amount of an award to such officer or other person and (2) grants to a person whose compensation is likely to be subject to the \$1 million deduction limit under Section 162(m) of the Internal Revenue Code, the Plan Committee may delegate some or all of its power and authority to administer the 2006 Plan to the Chief Executive Officer or other executive officer of Exelon.

Available Shares. Under the 2006 Plan, the maximum number of shares of Exelon common stock available for awards is 24,000,000, increased by the number of shares of Exelon common stock available for future awards at the effective date of the 2006 Plan under the current long-term incentive plan, the Exelon Long-Term Incentive Plan, subject to adjustment in the event of a stock split, stock dividend, recapitalization, reorganization, merger, spin-off or other similar change or event. The number of available shares will be reduced by the sum of the aggregate number of shares of Exelon common stock which become subject to outstanding options, free-standing SARs and Stock Awards (including performance share awards). To the extent that shares of Exelon common stock subject to an outstanding option, free-standing SAR, stock award or performance share award granted under either the 2006 Plan or Exelon's current long-term incentive plan are not issued or delivered by reason of the expiration, termination, cancellation or forfeiture of such award (excluding shares of Exelon common stock subject to an option cancelled upon settlement of a related tandem SAR or subject to a tandem SAR cancelled upon exercise of a related option) or by reason of settlement of such award in cash, then such shares of Exelon common stock will again be available under the 2006 Plan. Upon the completion of the merger of Exelon and PSEG, the number of available shares of Exelon common stock will be increased by multiplying the number of shares of Exelon common stock then available under the 2006 Plan by the fraction, the numerator of which is the number of shares of Exelon common stock issued and outstanding immediately following the completion of the merger and the denominator of which is the number of shares of Exelon common stock issued and outstanding immediately prior to the completion of the merger (the "Merger Adjustment").

The maximum number of shares of Exelon common stock available under the 2006 Plan for Stock Awards and performance unit awards is 8,000,000 (subject to the Merger Adjustment), increased by the number of shares of Exelon common stock available for award under the current long-term incentive plan, the Exelon Long-Term Incentive Plan, at the effective date of the 2006 Plan.

No 2006 Plan participant may be granted awards under the 2006 Plan during any calendar year that, in the aggregate, may be settled by delivery of more than 2,000,000 shares of Exelon common stock. With respect to awards that are valued on the basis of the fair market value of Exelon common stock and that may be settled in cash (in whole or part), no individual may be paid in any calendar year cash amounts exceeding the greater of the fair market value of the number of shares of Exelon

common stock set forth in the preceding sentence either at the date of grant or at the date of settlement. With respect to awards that are not valued on the basis of the fair market value of the Exelon common stock, the compensation payable in any calendar year (in cash or shares) may not have an aggregate fair market value in excess of \$5,000,000. Subject to the Merger Adjustment, the maximum number of shares of Exelon common stock subject to options and SARs that may be granted by Exelon's Chief Executive Officer in any single year may not exceed 1,200,000 in the aggregate or 40,000 with respect to any individual participant. Subject to the Merger Adjustment, the maximum number of shares of Exelon common stock subject to Stock Awards and performance unit awards that may be granted by Exelon's Chief Executive Officer in any single year may not exceed 600,000 in the aggregate or 20,000 with respect to any individual participant.

Corporate Transactions. In the event of any merger, reorganization, consolidation or sale of 50% or more of Exelon's operating assets, the Exelon board of directors may, in its discretion, (1) accelerate the vesting or exercisability of some or all outstanding awards, (2) require that shares of stock of the corporation resulting from such transaction, or the parent thereof, be substituted for some or all of the shares of Exelon common stock subject to outstanding awards as determined by the Exelon board of directors, and/or (3) require outstanding awards to be surrendered to Exelon in exchange for a payment of cash, shares of common stock in the company resulting from the transaction, or the parent thereof, or a combination of cash and shares.

Effective Date, Termination and Amendment. If approved by shareholders, the 2006 Plan will become effective as of January 1, 2006 and will terminate five years thereafter, unless terminated earlier by the Plan Committee. The Plan Committee may amend the 2006 Plan at any time, subject to any requirement of shareholder approval required by applicable law, rule or regulation, including Section 162(m) of the Internal Revenue Code, and provided that no amendment may be made that impairs the rights of a holder of an outstanding award without the consent of such holder. As of the effective date of the 2006 Plan, no additional awards will be granted under the Exelon Long-Term Incentive Plan.

Stock Options and SARs. The Plan Committee will determine the conditions to the exercisability of each option and SAR.

The period for the exercise of a non-qualified stock option or SAR will be determined by the Plan Committee provided that no option may be exercised later than ten years after its date of grant. The exercise price of a non-qualified stock option and the base price of an SAR will not be less than 100% of the fair market value of a share of Exelon common stock on the date of grant, provided that the base price of an SAR granted in tandem with an option (a "tandem SAR") will be the exercise price of the related option. An SAR entitles the holder to receive upon exercise (subject to withholding taxes) shares of Exelon common stock (which may be restricted stock), cash or a combination thereof with a value equal to the difference between the fair market value of the Exelon common stock on the exercise date and the base price of the SAR.

Each incentive stock option will be exercisable for no more than ten years after its date of grant, unless the optionee owns greater than ten percent of the voting power of all shares of capital stock of Exelon (a "ten percent holder"), in which case the option will be exercisable for no more than five years after its date of grant. The exercise price of an incentive stock option will not be less than the fair market value of a share of Exelon common stock on its date of grant, unless the optionee is a ten percent holder, in which case the option exercise price will be the price required by the Internal Revenue Code, currently 110% of fair market value.

Upon exercise, the option exercise price may be paid in cash, by the delivery of previously owned shares of Exelon common stock or, subject to certain legal and accounting restrictions, through a cashless exercise arrangement.

The stock options and SARs are exercisable for the following periods following the termination of employment of a participant:

- In the event of termination of employment or service by reason of retirement or disability, each stock option and SAR will be fully exercisable until the earlier of five years after such termination and the date set forth in the award agreement.
- In the event of a termination of employment by reason of death, each stock option and SAR will be fully exercisable until the earlier of three years after the date of death and the date set forth in the award agreement.
- In the event of a termination of employment by Exelon for cause, each option and SAR held by such employee will be cancelled and Exelon may recover from the employee any amounts received in connection with the exercise of the option or SAR after the employee engaged in conduct giving rise to the termination for cause.
- In the event of a termination of employment for any reason other than retirement, disability or death or termination for cause, each stock option and SAR will be exercisable only to the extent exercisable on the date of termination until and including the earlier of 90 days after such termination and the date set forth in the award agreement.
- Unless otherwise specified in an agreement relating to an option or SAR, if an optionee dies during the 90-day exercise period following a termination of employment described in the previous bullet point, each stock option and SAR will be exercisable only to the extent exercisable on the date of death until the earlier of one year after the date of death and the date set forth in the award agreement.
- Unless otherwise specified in, and subject to all conditions specified in, an agreement relating to an option or SAR, a severance plan or a change in control agreement, if within 24 months following a change in control, Exelon ceases to employ the holder of an option or SAR due to termination of employment by Exelon other than for cause or, with respect to certain levels of employees, by such holder for good reason, such holder's options will immediately vest and be exercisable until the earlier to occur of five years after the date of termination and the date set forth in the award agreement.
- If the holder of a stock option or SAR breaches his or her obligations to Exelon under a noncompetition, nonsolicitation, confidentiality, intellectual property or other similar agreement, the option or SAR will be immediately cancelled as of the date of such breach, and Exelon may recover from the holder any amounts received in connection with the exercise of the option or SAR after such cancellation date.

Stock Awards. The 2006 Plan provides for the grant of Stock Awards. The Plan Committee may grant a Stock Award either as a restricted stock award or a restricted stock unit award and, in either case, the Plan Committee may determine that such award shall be granted as a performance share award that is subject to the attainment of performance measures over an established performance period. Stock Awards will be non-transferable and subject to forfeiture if the holder does not remain continuously in the employment of Exelon during the restriction period or, in the case of a performance share award, if applicable performance measures are not attained. All of the terms relating to the satisfaction of performance measures and the termination of a restriction period, or the forfeiture and cancellation of a Stock Award upon a termination of employment, whether by reason of disability, retirement, death or any other reason, will be determined by the Plan Committee.

The agreement awarding restricted stock units will specify (1) whether such award may be settled in shares of Exelon common stock, cash or a combination thereof and (2) whether the holder will be entitled to receive on a current or deferred basis, dividend equivalents, with respect to such award.

Prior to settlement of a restricted stock unit, the holder of a restricted stock unit will have no rights as a shareholder of Exelon.

Unless otherwise set forth in a restricted stock award agreement, the holder of shares of restricted stock award will have rights as a shareholder of Exelon, including the right to vote and receive dividends with respect to the shares of restricted stock, provided, however that distributions other than regular cash dividends will be deposited by Exelon and will be subject to the same restrictions as the restricted stock.

Performance Unit Awards. The 2006 Plan also provides for the grant of performance unit awards. Each performance unit is a right, contingent upon the attainment of performance measures within a specified performance period and the expiration of any restricted period, to receive a specified cash amount or shares of Exelon common stock, which may be restricted stock, having a fair market value equal to such cash amount. Prior to the settlement of a performance unit award in shares of Exelon common stock, the holder of such award will have no rights as a shareholder of Exelon with respect to such shares. Performance units will be non-transferable and subject to forfeiture if the specified performance measures are not attained during the specified performance period. All of the terms relating to the satisfaction of performance measures and the termination of a performance period, or the forfeiture and cancellation of a performance unit award upon a termination of employment, whether by reason of disability, retirement, death or any other reason, will be determined by the Plan Committee.

Under the 2006 Plan, the vesting or payment of performance share awards and performance unit awards will be subject to the satisfaction of certain performance goals. The performance goals applicable to a particular award will be determined by the Plan Committee at the time of grant. To the extent an award is intended to qualify for the performance-based exemption from the \$1 million deduction limit under Section 162(m) of the Internal Revenue Code, as described below, the performance goals will be one or more of the following, each of which may be based on absolute standards or peer industry group comparatives and may be applied at various organizational levels (e.g., corporate, business unit, or division): (1) cumulative shareholder value added, (2) customer satisfaction, (3) revenue, (4) primary or fully-diluted earnings per share of Exelon common stock, (5) net income, (6) total shareholder return, (7) earnings before interest taxes, (8) cash flow, including operating cash flows, free cash flow, discounted cash flow return on investment and cash flow in excess of cost of capital, or any combination thereof, (9) economic value added, (10) return on equity, (11) return on capital, (12) return on assets, (13) net operating profits after taxes, (14) stock price increase, (15) return on sales, (16) debt to equity ratio, (17) payout ratio, (18) asset turnover, (19) ratio of share price to book value of shares, (20) price/earnings ratio, (21) employee satisfaction, (22) diversity, (23) market share, (24) operating income, (25) pre-tax income, (26) safety, (27) diversification of business opportunities, (28) expense ratios, (29) total expenditures, (30) completion of key projects, (31) dividend payout as percentage of net income, (32) earnings before interest, taxes, depreciation and amortization or (33) any individual performance objective which is measured solely in terms of quantitative targets related to Exelon, any subsidiary or Exelon's or subsidiary's business. Such individual performance measures related to Exelon, a subsidiary or their respective businesses may include: (A) production-related factors such as generating capacity factor, performance against the INPO index, generating equivalent availability, heat rates and production cost, (B) transmission and distribution-related factors such as customer satisfaction, reliability (based on outage frequency and duration), and cost, (C) customer service-related factors such as customer satisfaction, service levels and responsiveness and bad debt collections or losses, and (D) relative performance against other similar companies in targeted areas. The measures may be weighted differently for holders of awards based on their management level and the extent to which their responsibilities are primarily corporate or business unit-related, and may be based in whole or in part on the performance of Exelon, a subsidiary, division and/or other operational unit under one or more of such measures.

Federal Income Tax Consequences

The following is a brief summary of certain United States federal income tax consequences generally arising with respect to awards under the 2006 Plan. This discussion does not address all aspects of the United States federal income tax consequences of participating in the 2006 Plan that may be relevant to participants in light of their personal investment or tax circumstances and does not discuss any state, local or non-United States tax consequences of participating in the 2006 Plan. Each participant is advised to consult his or her particular tax advisor concerning the application of the United States federal income tax laws to such participant's particular situation, as well as the applicability and effect of any state, local or non-United States tax laws before taking any actions with respect to any of the following awards.

Section 162(m) of the Internal Revenue Code. Section 162(m) of the Internal Revenue Code generally limits to \$1 million the amount that a publicly held corporation is allowed each year to deduct for the compensation paid to each of the corporation's chief executive officer and the corporation's four most highly compensated executive officers other than the chief executive officer. However, "qualified performance-based compensation" is not subject to the \$1 million deduction limit. To qualify as performance-based compensation, the following requirements must be satisfied: (1) the performance goals are determined by a committee consisting solely of two or more "outside directors," (2) the material terms under which the compensation is to be paid, including the performance goals, are approved by a majority of the corporation's shareholders and (3) if applicable, the committee certifies that the applicable performance goals were satisfied before payment of any performance-based compensation is made. As noted above, the Plan Committee currently consists solely of "outside directors" for purposes of Section 162(m) of the Internal Revenue Code. As a result, certain compensation under the 2006 Plan, such as that payable with respect to options and SARs, is not expected to be subject to the \$1 million deduction limit, but other compensation payable under the 2006 Plan, such as any Stock Award which is not a performance share award, would be subject to such limit.

Stock Options. A participant will not recognize taxable income at the time an option is granted and Exelon will not be entitled to a tax deduction at that time. A participant will recognize compensation taxable as ordinary income (and subject to income tax withholding) upon exercise of a non-qualified stock option equal to the excess of the fair market value of the shares purchased over their exercise price, and Exelon will be entitled to a corresponding deduction. A participant will not recognize income (except for purposes of the alternative minimum tax) upon exercise of an incentive stock option. If the shares acquired by exercise of an incentive stock option are held for the longer of two years from the date the option was granted and one year from the date it was exercised, any gain or loss arising from a subsequent disposition of those shares will be taxed as long-term capital gain or loss, and Exelon will not be entitled to any deduction. If, however, those shares are disposed of within the above-described period, then in the year of that disposition the participant will recognize compensation taxable as ordinary income equal to the excess of the lesser of (1) the amount realized upon that disposition and (2) the excess of the fair market value of those shares on the date of exercise over the exercise price, and Exelon will be entitled to a corresponding deduction.

SARs. A participant will not recognize taxable income at the time SARs are granted and Exelon will not be entitled to a tax deduction at that time. Upon exercise, the participant will recognize compensation taxable as ordinary income (and subject to income tax withholding) in an amount equal to the fair market value of any shares delivered and the amount of cash paid by Exelon. This amount is deductible by Exelon as compensation expense.

Stock Awards. A participant will not recognize taxable income at the time restricted stock is granted and Exelon will not be entitled to a tax deduction at that time, unless the participant makes an election to be taxed at that time. If such election is not made, the participant will recognize

compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee) at the time the restrictions lapse in an amount equal to the excess of the fair market value of the shares at such time over the amount, if any, paid for those shares. The amount of ordinary income recognized by making the above-described election or upon the lapse of restrictions is deductible by Exelon as compensation expense, except to the extent the deduction limits of Section 162(m) of the Internal Revenue Code apply. In addition, a participant receiving dividends with respect to restricted stock for which the above-described election has not been made and prior to the time the restrictions lapse will recognize compensation taxable as ordinary income (and subject to income tax withholding in respect of an employee), rather than dividend income, in an amount equal to the dividends paid and Exelon will be entitled to a corresponding deduction, except to the extent the deduction limits of Section 162(m) of the Internal Revenue Code apply.

A participant will not recognize taxable income at the time a restricted stock unit is granted and Exelon will not be entitled to a tax deduction at that time. Upon settlement of restricted stock units, the participant will recognize compensation taxable as ordinary income (and subject to income tax withholding) in an amount equal to the fair market value of any shares delivered and the amount of any cash paid by Exelon. The amount of ordinary income recognized is deductible by Exelon as compensation expense, except to the extent the deduction limits of Section 162(m) of the Internal Revenue Code apply.

Performance Unit Awards. A participant will not recognize taxable income at the time performance units are granted and Exelon will not be entitled to a tax deduction at that time. Upon the settlement of performance units, the participant will recognize compensation taxable as ordinary income (and subject to income tax withholding) in an amount equal to the fair market value of any shares delivered and the amount of cash paid by Exelon. This amount is deductible by Exelon as compensation expense, except to the extent the deduction limits of Section 162(m) of the Internal Revenue Code apply.

The Exelon board of directors recommends a vote FOR the proposal to approve the 2006 Plan.

Vote Required

Approval of the 2006 Plan requires the affirmative vote of a majority of the votes cast by holders of shares of Exelon common stock present in person or by proxy and entitled to vote on the proposal so long as the total vote cast on the proposal represents at least a majority of the shares of Exelon common stock entitled to vote on the proposal, assuming a quorum is present.

**EXELON PROPOSAL 6: APPROVAL OF EXELON CORPORATION
EMPLOYEE STOCK PURCHASE PLAN FOR UNINCORPORATED SUBSIDIARIES**

General

The Exelon board of directors is proposing for shareholder approval the Employee Stock Purchase Plan for Unincorporated Subsidiaries (the "Purchase Plan"). The purposes of the Purchase Plan are to provide employees of participating subsidiaries added incentive to remain employed and promote Exelon's best interests by permitting these employees to purchase shares of Exelon common stock at below-market prices through payroll deductions on substantially the same basis as employees who participate in Exelon's qualified employee stock purchase plan.

The Purchase Plan is not intended to qualify as an "employee stock purchase plan" under Section 423 of the Internal Revenue Code, and will be offered only to employees of subsidiaries that are not eligible due to their tax status under the Internal Revenue Code to offer Exelon's qualified employee stock purchase plan to their employees. Other than with respect to eligibility, the terms of the Purchase Plan are intended to be substantially the same as the terms of Exelon's qualified employee stock purchase plan approved by Exelon's shareholders on April 23, 2002. Each share of Exelon common stock issued under the Purchase Plan will reduce by one share the number of remaining shares currently authorized for issuance under Exelon's qualified employee stock purchase plan.

Description of the Purchase Plan

The following description is qualified in its entirety by reference to the plan document, a copy of which is attached as *Annex I* and incorporated herein by reference.

Eligibility. Only subsidiaries that are not eligible under the Internal Revenue Code to offer Exelon's qualified employee stock purchase plan to their employees can adopt the Purchase Plan. An employee of such a subsidiary is eligible to participate in the Purchase Plan if the employee has been continuously employed for at least three consecutive months and the employee's customary employment is for 20 or more hours per week. As of May 1, 2005, approximately 1,450 employees would be eligible to participate in the Purchase Plan.

Participation and Payroll Deductions. The Purchase Plan establishes four purchase periods beginning on January 1, April 1, July 1 and October 1 of each year. Eligible employees may authorize their employers to withhold up to 10% of their regular base pay during each purchase period and to use those amounts to purchase shares of Exelon common stock. A participant's payroll deductions are accumulated and used to purchase shares of Exelon common stock as soon as practicable after the end of each purchase period. The purchase price per share for any purchase period is equal to 90% (subject to change consistent with Exelon's qualified employee stock purchase plan) of the lesser of the closing price on the New York Stock Exchange of a share of Exelon common stock on the first day of the purchase period or the last day of the purchase period. If the NYSE is not open on either such date, the closing price on the next preceding date will be used. Dividends on shares purchased under the Purchase Plan will be paid in cash unless the participant elects to have the dividends reinvested to purchase additional shares of Exelon common stock. Shares of Exelon common stock purchased with reinvested dividends will be purchased at fair market value with no discount. In addition to the 10% limit on payroll deductions, a participant in the Purchase Plan may not purchase more than 155 shares of Exelon common stock in any purchase period (as may be adjusted by the administrator) or more than \$25,000 in fair market value of Exelon common stock in any calendar year. An individual's purchases under the Purchase Plan also will be limited if they would cause the employee to own 5% or more of the total combined voting power or value of all classes of stock of Exelon or any of its subsidiaries. Shares of Exelon common stock purchased by a participant are held in book entry form, but available in certificated form upon request of the participant.

Transferability of Purchase Rights. A participant's rights under the Purchase Plan are not transferable by the participant during his or her lifetime.

Termination of Employment. When a participant terminates employment for any reason, payroll deductions under the Purchase Plan will cease and the amount credited to the participant's account for the current purchase period will be refunded.

Available Shares. The maximum number of shares of Exelon common stock available for purchase under the Purchase Plan will be 500,000, subject to adjustment in the event of certain changes to Exelon's capital structure as described in the Purchase Plan. Shares of Exelon common stock purchased under the Purchase Plan may be any combination of authorized and newly issued shares, shares purchased by Exelon on the open market or other shares of Exelon common stock held by Exelon as treasury shares.

Administration. The Purchase Plan will be administered by the Treasurer of Exelon. The administrator has the power and authority to interpret and administer the Purchase Plan, to establish rules and regulations relating to the Purchase Plan, to appoint agents as deemed appropriate for the proper administration of the Purchase Plan and to designate which subsidiaries may participate in the Purchase Plan.

Amendment and Termination. The Exelon board of directors or the Treasurer may suspend or amend the Purchase Plan from time to time, but no amendment will (1) materially adversely affect any purchase rights outstanding during the purchase period in which the amendment is adopted, (2) increase the maximum number of shares of Exelon common stock which may be purchased under the Purchase Plan or (3) decrease the purchase price of a share of Exelon common stock for any purchase period below the lesser of 85% of the fair market value of a share on the first day of the purchase period and 85% of the fair market value of a share on the last day of the purchase period. The Exelon board of directors or the Treasurer may terminate the Purchase Plan at any time. The Purchase Plan will terminate automatically when the maximum number of shares that may be purchased under the Purchase Plan has been purchased or in the event of a change in control of Exelon.

Modifications for Non-United States Employees. To the extent the Purchase Plan is offered to employees of a subsidiary who reside outside the United States, the administrator may modify the Purchase Plan or adopt procedures or subplans as necessary to comply with the laws of the jurisdictions in which such employees reside.

United States Federal Income Tax Consequences

The following discussion summarizes general principles of United States federal income tax law, as of the date hereof, which are expected to apply to the Purchase Plan and the shares of Exelon common stock acquired under the Purchase Plan.

Payroll deductions made under the Purchase Plan are reported as part of a participant's income for the year in which these amounts otherwise would have been paid to the participant. Accordingly, contributions to the Purchase Plan are made on an after-tax basis.

As of each purchase date, each participant will recognize compensation taxable as ordinary income in an amount equal to the excess of the fair market value of the shares of Exelon common stock purchased over the purchase price for such shares. Exelon is entitled to a deduction for United States federal income tax purposes in the same amount. Exelon is required to withhold United States federal income and employment taxes on the amount of compensation that a participant recognizes with respect to the purchase of shares.

A participant will recognize gain or loss when the participant sells shares purchased under the Purchase Plan. The amount of gain or loss will be the difference between the amount the participant receives on the sale of the shares and the participant's cost basis in the shares. The cost basis in the shares generally will be equal to the fair market value of the shares on the date they are purchased under the Purchase Plan. The gain or loss will be long-term or short-term depending upon whether the shares have been held for more than one year.

The foregoing discussion does not address the possible tax consequences under local, state or foreign tax laws or guidance that may be issued in the future by the United States Treasury under Section 409A or other sections of the Internal Revenue Code, and is not intended to provide tax advice to participants in the Purchase Plan. The discussion is intended only as a summary and does not purport to be a complete enumeration or analysis of all potential tax effects relevant to participants in the Purchase Plan.

New Plan Benefits

The benefits that might be received by employees under the Purchase Plan cannot be determined because the benefits depend upon the degree of participation by employees and the trading price of Exelon common stock in future offering periods.

The Exelon board of directors recommends a vote FOR the proposal to approve the Purchase Plan.

Vote Required

Approval of the Purchase Plan requires the affirmative vote of a majority of the votes cast by holders of shares of Exelon common stock present in person or by proxy and entitled to vote on the proposal so long as the total vote cast on the proposal represents at least a majority of the shares of Exelon common stock entitled to vote on the proposal, assuming a quorum is present.

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth the aggregate number of shares of Exelon common stock authorized for issuance under equity compensation plans as of December 31, 2004.

Plan Category	Number of securities to be issued upon exercise of outstanding options	Weighted-average price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans (See Note 2)
Equity compensation plans approved by security holders	24,759,308	\$ 26.94	14,777,078
Equity compensation plans not approved by security holders (See Note 1)	660,808	\$ 20.56	—
Total	25,420,116	\$ 26.78	14,777,078

- (1) Amount shown represents options issued under a broad based incentive plan available to all employees of PECO Energy Company. Options were issued beginning in November 1998 and no further grants were made after October 20, 2000.
- (2) Excludes equities to be issued upon exercise of outstanding options.