affected in a disproportionate manner as compared to comparable participants in the electric energy market;

- any loss, in and of itself, resulting from the sale of assets of PSEG Holdings or PSEG Power in accordance with the terms of the merger agreement or impairment charge, in and of itself, taken in relation to the assets of such entities identified for sale;

- any sale or disposition of assets that may be ordered by the SEC, as part of its review of the merger under PUHCA;

- any change in generally accepted accounting principles by the Financial Accounting Standards Board, the SEC or any other regulatory body; or

- any event, effect, change or development resulting from a breach by Exelon Generation of the operating services contract.

In addition, Exelon and PSEG have agreed that the tax and accounting treatment of certain transactions undertaken by Exelon and PSEG will not be considered to have had a material adverse effect, including those described in "Risk Factors—Risks Relating to the Business of the Combined Company—The Internal Revenue Service might successfully challenge certain leveraged lease transactions entered into by PSEG, which could have a material adverse impact on the combined company's operating results" and "Risk Factors—Risk Relating to the Business of the Combined Company—The IRS might successfully challenge certain tax positions taken by Exelon in connection with certain sale transactions, which could have a material adverse impact on the combined company's operating results."

Conditions

Our respective obligations to complete the merger are subject to the satisfaction of the following conditions:

- the approval of the merger agreement by PSEG shareholders and the approval by the Exelon shareholders of the issuance of shares of Exelon common stock as contemplated by the merger agreement;

- the approval for listing by the New York Stock Exchange of the Exelon common stock to be issued pursuant to the merger, subject to official notice of issuance;

- the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Act;

- the absence of any law, judgment, injunction or other order by a governmental authority that is in effect prohibiting completion of the merger and the absence of any proceeding by any governmental authority seeking such an order;

- the SEC having declared effective the Exelon registration statement, of which this joint proxy statement/prospectus forms a part, and the absence of a stop order issued by the SEC or initiated or threatened by the SEC seeking to suspend the effectiveness of the Exelon registration statement;

- the making of all necessary blue sky securities filings;

- the receipt of final orders for the required statutory approvals and the absence from such orders of any burdensome order; and

- the receipt of all other required governmental and regulatory consents, registrations, approvals, permits, except for those the failure of which to obtain would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on PSEG or on Exelon (assuming the merger had taken place).

In addition, individually, our respective obligations to effect the merger are subject to the satisfaction of the following additional conditions:

- the other party having performed in all material respects all agreements required to be performed by it under the merger agreement;

- the representations and warranties of the other party with respect to anti-takeover laws, brokers, capital structure and authority, the registration statement and this joint proxy statement/prospectus, the party's shareholders required vote, and, in the case of Exelon, the non-recourse nature of obligations of Exelon New England Holdings, and, in the case of PSEG, the non-recourse nature of PSEG Energy Holdings, contained in the merger agreement being true and correct in all material respects, as of the date of the merger agreement and as of the closing date of the merger as if they were made as of that date, except to the extent that the representation or warranty speaks as of another date;

- the representations and warranties of the other party (other than the representations and warranties specifically enumerated in the preceding bullet point) being true and correct unless the inaccuracies (without giving effect to any materiality or material adverse effect qualifications or exceptions) in respect of those representations and warranties, taking all the inaccuracies in respect of those representations and warranties together in their entirety, do not result in a material adverse effect on the other party, as of the date of the merger agreement and as of the closing date of the merger as if they were made on that date, except to the extent that the representation or warranty speaks as of another date;

- the receipt of an opinion of the party's counsel to the effect that, for United States federal income tax purposes, (1) the merger will constitute a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code and (2) PSEG and Exelon will each be a party to that reorganization within the meaning of Section 368 (b) of the Internal Revenue Code;

- the receipt by the other party of all required consents or approvals from third parties, except for those the failure of which to obtain would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on PSEG or on Exelon (assuming the merger had taken place); and

- the absence of any material adverse effect having occurred to the other party since the date of the merger agreement.

Other than the conditions to obtain the regulatory approvals required by law and the shareholder approvals, each of Exelon and PSEG may waive any conditions relating to its obligations to complete the merger. However, the parties do not intend to waive the condition relating to the receipt of the tax opinions referred to above. If it were determined that the merger would not qualify as a tax-free reorganization and Exelon and PSEG were to waive the condition relating to the receipt of the tax opinions described above, Exelon and PSEG would re-solicit their shareholders' vote on the issuance of the shares of Exelon common stock as contemplated by the merger agreement and approval of the merger agreement, respectively.

Termination of Merger Agreement

Right to Terminate. The merger agreement may be terminated at any time prior to completion of the merger in any of the following ways:

- by our mutual written consent;

- by either one of us:

  — if the merger is not completed by June 20, 2006 (which date may be extended by six months by either party if all conditions to closing have been satisfied other than the receipt of approval by the Federal Energy Regulatory Commission under Section 203 of the Federal Power Act, by the SEC under PUHCA or by any of the New Jersey, New York, Illinois or Pennsylvania public utility commissions if Exelon and PSEG are reasonably satisfied such state commission is waiting for FERC or PUHCA approval to be obtained prior to ruling and such ruling is required for completion of the merger); except that a party may not terminate the merger agreement if the cause of the merger not being completed is that party's failure to fulfill its obligations under the merger agreement;

— if a governmental authority issues an order, decree or ruling or takes any other action permanently enjoining, restraining or otherwise prohibiting the merger and the order, decree or ruling or other action has become final and nonappealable;

— if a burdensome order that is a nonappealable final order has been entered; or

— if either Exelon's shareholders fail to approve the issuance of shares of Exelon common stock as contemplated by the merger agreement or PSEG's shareholders fail to approve the merger agreement and the merger.

- by Exelon:

  — if:

    - PSEG's board of directors either fails to recommend the adoption of the merger agreement to its shareholders or the board or any committee of the board withdraws, qualifies, amends or modifies its recommendation or approval of or declaration that the merger agreement and the merger are advisable, fair to and in the best interests of PSEG and its shareholders in any manner adverse to Exelon or takes any other action or makes any statement inconsistent with such recommendation or declaration or resolves or proposes to do any of the foregoing;

    - PSEG breaches the no-solicitation provisions of the merger agreement in a material respect;

    - PSEG's board of directors or any committee of the board recommends to PSEG shareholders a takeover proposal; or

    - a tender offer or exchange offer for 20% or more of the outstanding shares of PSEG capital stock is commenced and PSEG's board of directors fails to recommend against acceptance of such offer within 10 business days of such commencement (including taking no position with respect to such offer); or

  — if there has been a breach of any representation, warranty, covenant or other agreement made by PSEG in the merger agreement, or if any such representation and warranty becomes untrue after the date of the merger agreement and, in either case, the breach or failure to be true:

    - would result in the applicable closing condition to the merger not being satisfied; and

    - is not curable or, if curable, is not cured within 30 days after written notice is given by Exelon to PSEG; or

  — a "*parent acquisition transaction*" occurs or Exelon or any of its subsidiaries enters into a definitive agreement with respect to a parent acquisition transaction; provided, however, that Exelon is only entitled to terminate the merger agreement under such provision for a period of ten business days from the earlier to occur of such a parent acquisition transaction and the public announcement of the entry into such a definitive agreement with respect to such parent acquisition transaction; provided, further that Exelon is only entitled to terminate the merger agreement under such provision prior to the Exelon annual meeting;

- by PSEG:

  — if the Exelon board of directors either fails to recommend to its shareholders the issuance of shares of Exelon common stock as contemplated by the merger agreement or the board withdraws, qualifies or modifies its recommendation or approval of or declaration that the merger agreement and the merger are advisable, fair to and in the best interests of Exelon and its shareholders in any manner adverse to PSEG or takes any other action or makes any statement inconsistent with such recommendation or declaration or resolves or proposes to do any of the foregoing;

  — if there has been a breach of any representation, warranty, covenant or other agreement made by Exelon in the merger agreement, or if any such representation and warranty becomes untrue after the date of the merger agreement and, in either case, the breach or failure to be true:

    - would result in the applicable closing condition to the merger not being satisfied; and

    - is not curable or, if curable, is not cured within 30 days after written notice is given by PSEG to Exelon;

  — if (1) PSEG's board of directors authorizes PSEG, subject to complying with the terms of the merger agreement, to enter into a definitive agreement concerning a transaction that constitutes a "*superior proposal*" (see "—Covenants—No Solicitation" for a discussion of this term) and PSEG notifies Exelon in writing that it intends to enter into the agreement, (2) Exelon does not make, within five business days of receipt of PSEG's written notification of its intention to enter into a definitive agreement for a superior proposal, an offer that PSEG's board of directors determines, in its reasonable good faith judgment after consultation with its financial advisors, is at least as favorable, from a financial point of view to PSEG's shareholders as the superior proposal and (3) prior to or concurrently with the termination of the merger agreement PSEG pays to Exelon in immediately available funds the termination fee and expenses described in "—Termination Fees Payable by PSEG" below; PSEG also agreed (A) that it will not enter into a definitive agreement referred to in clause (1) until at least the sixth business day after it has provided the requisite notice to Exelon and (B) to notify Exelon promptly in writing if its intention to enter into the definitive agreement referred to in its notification changes at any time after giving the notification; or

  — if a "*parent acquisition transaction*" occurs or Exelon or any of its subsidiaries enters into definitive agreement with respect to a parent acquisition transaction; provided, however, that PSEG is only entitled to terminate the merger agreement under such provision for a period of ten business days from the earlier to occur of such a parent acquisition transaction and the public announcement of the entry into such a definitive agreement with respect to such parent acquisition transaction; provided, further, that PSEG is only entitled to terminate the merger agreement under such provision prior to the PSEG annual meeting.

"Parent acquisition transaction" means any transaction or series of transactions involving the acquisition by any third party, directly or indirectly, of more than 50% of the voting power of the outstanding shares of capital stock of Exelon or all or substantially all of the assets of Exelon.

Termination Fees Payable by PSEG. PSEG has agreed to pay Exelon a termination fee of $400 million and Exelon's out-of-pocket expenses incurred with respect to the merger agreement and the merger up to $40 million if the merger agreement is terminated under one of the following circumstances:

- the merger agreement is terminated by Exelon because (1) PSEG's board of directors or any committee of the board approves or recommends any takeover proposal or resolve or proposes to take such an action, (2) a tender offer or exchange offer for 20% or more of the outstanding shares of PSEG capital stock is commenced and PSEG's board of directors fails to recommend against acceptance of such offer within ten business days of such commencement (including taking no position with respect to such offer), (3) PSEG's board of directors either fails to recommend the merger with Exelon to its shareholders or the board or any committee of the board withdraws, qualifies or modifies its recommendation, approval or declaration in any manner adverse to Exelon or takes any action or makes any statement adverse to such recommendation or declaration or resolves or proposes to do any of the actions in this clause (3) or (4) PSEG breaches in any material respect the no-solicitation provisions of the merger agreement;

- the merger agreement is terminated by PSEG because it enters into a definitive agreement for a superior proposal pursuant to the provision described in the third hash mark above concerning PSEG's termination rights; or

- (1) after the date of the merger agreement a takeover proposal existed or any person made known to PSEG and/or publicly disclosed or made known generally to PSEG's shareholders that if the merger agreement were terminated, it would make a takeover proposal, (2) the merger agreement is subsequently terminated by PSEG or Exelon because PSEG's shareholders fail to approve the merger agreement or by PSEG or Exelon pursuant to the first hash mark under the second bullet point under the heading "—Right to Terminate" relating to failure to complete the merger by June 20, 2006, (unless extended) after which either party is permitted to terminate the merger agreement and (3) concurrently with the termination or within 12 months of the termination, PSEG enters into a definitive agreement with respect to a takeover proposal or a takeover proposal occurs.

The termination fee and expenses are required to be paid by PSEG at different times, depending on what provision is used to terminate the merger agreement. If the termination fee becomes payable pursuant to the first or second bullet point above, the fee and expenses are required to be paid to Exelon on the date of the termination of the merger agreement. If the termination fee and expenses become payable pursuant to the third bullet point above, the fee and expenses are required to be paid to Exelon upon the earlier to occur of such acquisition transaction and the entry into such definitive agreement.

Termination Fees Payable by Exelon. Exelon has agreed to pay PSEG a fee of $400 million and PSEG's out-of-pocket expenses incurred with respect to the merger agreement and the merger up to $40 million if the merger agreement is terminated by PSEG or Exelon as a result of Exelon entering into a definitive agreement with respect to a parent acquisition transaction or the occurrence of any parent acquisition transaction.

Exelon has also agreed to pay up to $40 million of PSEG's out-of-pocket expenses incurred with respect to the merger agreement and the merger because the merger agreement is terminated by PSEG pursuant to the first hash mark under the description of PSEG's rights to terminate the merger agreement relating to a change or withdrawal of Exelon's board of directors' recommendation.

The termination fee and/or expenses are required to be paid by Exelon to PSEG on the date of termination of the merger agreement.

Amendments, Extensions and Waivers

Amendments. The merger agreement may be amended by the parties at any time prior to completion of the merger, except that any amendment after a shareholders' meeting which requires approval by shareholders may not be made without such approval. All amendments to the merger agreement must be in writing signed by each party.

Extensions and Waivers. At any time prior to completion of the merger, either party to the merger agreement may:

- extend the time for the performance of any of the obligations or other acts of any other party to the merger agreement;
- waive any inaccuracies in the representations and warranties of any other party contained in the merger agreement or in any document delivered pursuant to the merger agreement; or
- waive compliance by any other party with any of the agreements or conditions contained in the merger agreement.

All extensions and waivers must be in writing and signed by the party against whom the extension or waiver is to be effective.

PRO FORMA FINANCIAL INFORMATION

Exelon
Unaudited Pro Forma Condensed
Consolidated Financial Statements

The following Exelon Unaudited Pro Forma Condensed Consolidated Financial Statements are based on the historical consolidated financial statements of Exelon after giving effect to and presenting as discontinued operations:

- Exelon's 2005 disposition of Sithe Energies, Inc. ("Sithe"), an equity method investment of Exelon Generation Company, LLC previously consolidated on March 31, 2004 pursuant to Financial Accounting Standards Board ("FASB") Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities";

- Exelon's disposition of various businesses of Exelon Enterprises Company, LLC, an indirect wholly owned subsidiary of Exelon, during 2002, 2003 and 2004; and

- Exelon's disposition and wind down of the operations of AllEnergy, an indirect wholly owned subsidiary of Exelon Generation Company LLC.

The Unaudited Pro Forma Condensed Consolidated Statement of Operations for the year ended December 31, 2004, gives effect to the disposition of Sithe and presents as discontinued operations the results of operations of Sithe for the period from April 1, 2004 through December 31, 2004, and gives effect to the dispositions of qualifying Enterprises' businesses and AllEnergy and presents as discontinued operations the results of operations and gains or losses on dispositions for each of the years ended December 31, 2002, 2003 and 2004.

The Unaudited Pro Forma Condensed Consolidated Balance Sheet as of December 31, 2004, gives effect to the January 2005 disposition of Sithe.

The historical financial information of Exelon as of and for the years ended December 31, 2002, 2003 and 2004 is derived from the audited financial statements of Exelon, but does not include all disclosures required by accounting principles generally accepted in the United States ("GAAP").

Exelon
Unaudited Pro Forma Condensed Consolidated Statement of Operations
For the Year Ended December 31, 2002
(in millions, except per share data)

	Exelon Historical	Pro Forma Adjustments for Discontinued Operations	Exelon Adjusted for Discontinued Operations
OPERATING REVENUES	$ 14,955	$ (895)	$ 14,060
OPERATING EXPENSES			
Purchased power and fuel	5,262	(172)	5,090
Operating and maintenance	4,345	(690)	3,655
Depreciation and amortization	1,340	(10)	1,330
Taxes other than income taxes	709	(4)	705
TOTAL OPERATING EXPENSES	11,656	(876)	10,780
OPERATING INCOME	3,299	(19)	3,280
Other income and deductions:			
Interest expense	(966)	11	(955)
Distributions on preferred securities of subsidiaries	(45)	—	(45)
Equity in earnings of unconsolidated affiliates	80	6	86
Other, net	304	23	327
TOTAL OTHER INCOME AND DEDUCTIONS	(627)	40	(587)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND MINORITY INTEREST	2,672	21	2,693
Income tax provision	998	2	1,000
Minority interest income (expense), net of tax	(4)	1	(3)
INCOME FROM CONTINUING OPERATIONS	$ 1,670	$ 20	$ 1,690
Weighted average shares of common stock outstanding:			
Basic	645		645
Diluted	649		649
Income per share from continuing operations:			
Basic	$ 2.59		$ 2.62
Diluted	2.57		2.60

Exelon
Unaudited Pro Forma Condensed Consolidated Statement of Operations
For the Year Ended December 31, 2003
(in millions, except per share data)

	Exelon Historical	Pro Forma Adjustments for Discontinued Operations	Exelon Adjusted for Discontinued Operations
OPERATING REVENUES	$ 15,812	$ (664)	$ 15,148
OPERATING EXPENSES			
Purchased power and fuel	6,375	(181)	6,194
Impairment of Boston Generating, LLC long-lived assets	945	—	945
Operating and maintenance	4,508	(593)	3,915
Depreciation and amortization	1,126	(11)	1,115
Taxes other than income taxes	581	(11)	570
TOTAL OPERATING EXPENSES	13,535	(796)	12,739
OPERATING INCOME	2,277	132	2,409
Other income and deductions:			
Interest expense	(881)	8	(873)
Distributions on preferred securities of subsidiaries	(39)	—	(39)
Equity in earnings of unconsolidated affiliates	33	—	33
Other, net	(261)	17	(244)
TOTAL OTHER INCOME AND DEDUCTIONS	(1,148)	25	(1,123)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND MINORITY INTEREST	1,129	157	1,286
Income tax provision	331	58	389
Minority interest expense, net of tax	(5)	—	(5)
INCOME FROM CONTINUING OPERATIONS	$ 793	$ 99	$ 892
Weighted average shares of common stock outstanding:			
Basic	651		651
Diluted	657		657
Income per share from continuing operations:			
Basic	$ 1.22		$ 1.37
Diluted	1.21		1.36

Exelon
Unaudited Pro Forma Condensed Consolidated Statement of Operations
For the Year Ended December 31, 2004
(in millions, except per share data)

	Exelon Historical	Pro Forma Adjustments for Discontinued Operations	Exelon Adjusted for Discontinued Operations
OPERATING REVENUES	$ 14,515	$ (382)	$ 14,133
OPERATING EXPENSES			
Purchased power and fuel	5,082	(153)	4,929
Operating and maintenance	3,976	(276)	3,700
Depreciation and amortization	1,305	(10)	1,295
Taxes other than income taxes	719	(9)	710
TOTAL OPERATING EXPENSES	11,082	(448)	10,634
OPERATING INCOME	3,433	66	3,499
Other income and deductions:			
Interest expense	(905)	77	(828)
Distributions on preferred securities of subsidiaries	(3)	—	(3)
Equity in losses of unconsolidated affiliates	(153)	(1)	(154)
Other, net	140	(77)	63
TOTAL OTHER INCOME AND DEDUCTIONS	(921)	(1)	(922)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES AND MINORITY INTEREST	2,512	65	2,577
Income tax provision	692	21	713
Minority interest income (expense), net of tax	21	(15)	6
INCOME FROM CONTINUING OPERATIONS	$ 1,841	$ 29	$ 1,870
Weighted average shares of common stock outstanding:			
Basic	661		661
Diluted	669		669
Income per share from continuing operations:			
Basic	$ 2.79		$ 2.83
Diluted	2.75		2.79

Exelon
Unaudited Pro Forma Condensed Consolidated Balance Sheet
As of December 31, 2004
(in millions)

	Exelon Historical	Pro Forma Adjustments for Discontinued Operations	Exelon Adjusted for Discontinued Operations
ASSETS			
Cash and cash equivalents	$ 499	$ (43)	$ 456
Restricted cash and investments	60	(19)	41
Accounts receivable, net	2,058	(33)	2,025
Mark-to-market derivative assets	403	(18)	385
Inventories	542	—	542
Deferred income taxes	68	59	127
Other	296	(3)	293
TOTAL CURRENT ASSETS	3,926	(57)	3,869
Property, plant and equipment, net	21,482	(270)	21,212
Regulatory assets	4,790	—	4,790
Nuclear decommissioning trust funds	5,262	—	5,262
Investments	804	—	804
Goodwill	4,705	—	4,705
Mark-to-market derivative assets	383	(85)	298
Deferred debits and other assets	1,418	(530)	888
TOTAL ASSETS	$ 42,770	$ (942)	$ 41,828

Exelon
Unaudited Pro Forma Condensed Consolidated Balance Sheet
As of December 31, 2004
(in millions)

	Exelon Historical	Pro Forma Adjustments for Discontinued Operations	Exelon Adjusted for Discontinued Operations
LIABILITIES AND SHAREHOLDERS' EQUITY			
Commercial paper	$ 490	$ —	$ 490
Long-term debt due within one year	913	(34)	879
Accounts payable	1,255	(19)	1,236
Mark-to-market derivative liabilities	598	—	598
Accrued expenses	1,143	(34)	1,109
Other	483	(19)	464
TOTAL CURRENT LIABILITIES	4,882	(106)	4,776
Long-term debt	12,148	(785)	11,363
Deferred credits and other liabilities:			
Deferred income taxes	4,488	(24)	4,464
Unamortized investment tax credits	275	—	275
Asset retirement obligations	3,981	(3)	3,978
Pension and postretirement benefit obligations	3,058	—	3,058
Spent nuclear fuel obligation	878	—	878
Regulatory liabilities	2,204	—	2,204
Mark-to-market derivative liabilities	323	—	323
Other	981	(13)	968
TOTAL DEFERRED CREDITS AND OTHER LIABILITIES	16,188	(40)	16,148
Minority interest of consolidated subsidiaries	42	(36)	6
Preferred securities of subsidiaries	87	—	87
SHAREHOLDERS' EQUITY			
Common stock	7,598	—	7,598
Treasury stock, at cost	(82)	—	(82)
Retained earnings	3,353	25	3,378
Accumulated other comprehensive loss	(1,446)	—	(1,446)
TOTAL SHAREHOLDERS' EQUITY	9,423	25	9,448
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 42,770	$ (942)	$ 41,828

Exelon and PSEG
Unaudited Pro Forma Condensed Combined
Consolidated Financial Statements

The following Exelon and PSEG Unaudited Pro Forma Condensed Combined Consolidated Financial Statements are based on the historical consolidated financial statements of Exelon, as adjusted for discontinued operations (see pages 139 through 144), and the historical consolidated financial statements of PSEG after giving effect to:

- the merger using the purchase method of accounting with Exelon treated as the acquirer; and
- Exelon's 2004 disposition of Boston Generating, LLC, a previously indirect wholly-owned subsidiary.

As described in the accompanying notes, Exelon's cost to acquire PSEG will be allocated to the net tangible and identifiable intangible assets acquired and liabilities assumed based upon their estimated fair values as of the completion of the merger. The completion of the merger is currently expected to occur in either the first or second quarter of 2006 depending on whether the parties are able to reach early settlements in the NJBPU and PPUC proceedings described under "The Merger—Regulatory Matters Relating to the Merger—General," although we cannot predict the actual timing. The excess of purchase price, including estimated fees and expenses related to the merger incurred by Exelon, over the preliminary estimated fair values of the net assets acquired and liabilities assumed is classified as goodwill in the accompanying Exelon and PSEG Unaudited Pro Forma Condensed Combined Consolidated Balance Sheet. Exelon may record some additional level of amortizable intangible assets not yet identified or recorded in these pro forma financial statements. The amortization of these assets may adversely impact future earnings of the combined company. The purchase method of accounting applied to the merger is based on current accounting literature, which may be amended prior to the completion of the merger and, if amended, could materially impact the allocation of purchase price.

The Exelon and PSEG Unaudited Pro Forma Condensed Combined Consolidated Statements of Operations give effect to the merger as though it occurred on January 1, 2004. The Exelon and PSEG Unaudited Pro Forma Condensed Combined Consolidated Balance Sheet gives effect to the merger as though it occurred on March 31, 2005.

The Exelon and PSEG Unaudited Pro Forma Condensed Combined Consolidated Financial Statements include estimates of potential adjustments for events that are:

- directly attributable to the merger;
- factually supportable; and
- with respect to the statements of operations, expected to have a continuing impact on the combined company's results.

These preliminary adjustments are based on Exelon's and PSEG's managements' current estimates and are subject to change pending additional information that may come to their knowledge and as decisions are made with respect to the corporate restructuring described under "The Merger—Corporate Restructuring." The actual adjustments recorded in purchase accounting will be based on final valuations as determined by management and independent third parties and may differ materially from the preliminary amounts recorded in the Exelon and PSEG Unaudited Pro Forma Condensed Combined Consolidated Financial Statements. If the final valuation indicates that the fair value of the assets of PSEG is higher than managements' current estimates, the percentage of the purchase price allocated to these assets would be greater than that currently allocated to them in the pro forma financial statements. The greater level of amortizable assets would result in additional amortization, which may adversely impact the future earnings of the combined company.

The historical financial information of Exelon and PSEG as of and for the three months ended March 31, 2005 is unaudited. The historical financial information of Exelon and PSEG for the year ended December 31, 2004 is derived from the audited financial statements of Exelon and PSEG, respectively, but does not include all disclosures required by GAAP.

You should read the Exelon and PSEG Unaudited Pro Forma Condensed Combined Consolidated Financial Statements in conjunction with the:

- accompanying Notes to the Exelon and PSEG Unaudited Pro Forma Condensed Combined Consolidated Financial Statements;
- separate unaudited historical financial statements of Exelon and PSEG as of and for the three months ended March 31, 2005, included in Exelon's and PSEG's respective quarterly reports on Form 10-Q for the three months ended March 31, 2005, which are incorporated by reference into this joint proxy statement/prospectus;
- separate historical financial statements of Exelon and PSEG as of and for the year ended December 31, 2004, included in Exelon's and PSEG's respective annual reports on Form 10-K for the year ended December 31, 2004, which are incorporated by reference into this joint proxy statement/prospectus;
- Current Report on Form 8-K filed by Exelon on May 13, 2005, in which Item 6, Item 7 and Item 8 of Exelon's annual report on Form 10-K for the year ended December 31, 2004 were recast, which is incorporated by reference into this joint proxy statement/prospectus; and
- the Exelon Unaudited Pro Forma Condensed Consolidated Financial Statements on pages 139 through 144 of this joint proxy statement/prospectus.

The Exelon and PSEG Unaudited Pro Forma Condensed Combined Consolidated Financial Statements are presented for illustrative purposes only and are not necessarily indicative of what the combined company's financial position or operating results actually would have been had the merger been completed on the dates indicated. In addition, the Exelon and PSEG Unaudited Pro Forma Condensed Combined Consolidated Financial Statements do not purport to project the future financial position or operating results of the combined company.

Exelon and PSEG
Unaudited Pro Forma Condensed Combined Consolidated
Statement of Operations
For the Three Months Ended March 31, 2005
(in millions, except per share data)

	Exelon Historical	(a) PSEG Historical	Pro Forma Adjustments	Ex Pro
	(unaudited)	(unaudited)		
OPERATING REVENUES	$ 3,561	$ 3,310	$ (c) 72) (4(c) 42 (h) 3 (i)	$
OPERATING EXPENSES				
Purchased power and fuel	1,190	1,874	) (18(c) (1)(i)	
Operating and maintenance	949	598	6 (d)	
Depreciation and amortization	319	190	21 (e)	
Taxes other than income taxes	172	43	—	
TOTAL OPERATING EXPENSES	2,630	2,705	8	
OPERATING INCOME	931	605	105	
Other income and deductions:				
Interest expense	(190)	(215)	23 (f) (20)(f)	
Distributions on preferred securities of subsidiaries	(1)	(1)	—	
Equity in earnings of unconsolidated affiliates	(36)	37	) (2(g)	
Other, net	30	27	1 (g)	
TOTAL OTHER INCOME AND DEDUCTIONS	(197)	(152)	2	
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	734	453	107	
Income tax provision	227	168	53 (h) 26 (j)	
INCOME FROM CONTINUING OPERATIONS	$ 507	$ 285	$ 28	$
Weighted average shares of common stock outstanding:				
Basic	666	238		
Diluted	675	242		
Income per share from continuing operations:				
Basic	$ 0.76	$ 1.20		$
Diluted	0.75	1.18		

See accompanying Notes to Exelon and PSEG Unaudited Pro Forma Condensed Combined Consolidated Statement of Operations, which are an integral part of these statements.

Exelon and PSEG
Unaudited Pro Forma Condensed Combined Consolidated
Statement of Operations
For the Year Ended December 31, 2004
(in millions, except per share data)

	Exelon Pro Forma Adjusted for Discontinued Operations	(b) Pro Forma Adjustment for Boston Generating	Exelon as Adjusted	(a) PSEG Historical	Pro Forma Adjustments	I Pr
OPERATING REVENUES	$ 14,133	$ (248)	$ 13,885	$ 10,996	$ (c) 505) (14(c) 189 (h) (17)(i)	$
OPERATING EXPENSES						
Purchased power and fuel	4,929	(222)	4,707	6,057	) (178(c) (4)(i)	
Operating and maintenance	3,700	(62)	3,638	2,260	27 (d)	
Depreciation and amortization	1,295	(4)	1,291	719	86 (e)	
Taxes other than income taxes	710	(9)	701	139	—	
TOTAL OPERATING EXPENSES	10,634	(297)	10,337	9,175	(69)	
OPERATING INCOME	3,499	49	3,548	1,821	732	
Other income and deductions:						
Interest expense	(828)	5	(823)	(859)	95 (f) (61)(f)	
Distributions on preferred securities of subsidiaries	(3)	—	(3)	(4)	—	
Equity in earnings of unconsolidated affiliates	(154)	—	(154)	126	) (8(g)	
Other, net	63	(90)	(27)	83	2 (g)	
TOTAL OTHER INCOME AND DEDUCTIONS	(922)	(85)	(1,007)	(654)	28	
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTEREST	2,577	(36)	2,541	1,167	760	
Income tax provision (benefit)	713	(15)	698	446	235 (h) 228 (j)	
Minority interest income, net of tax	6	—	6	—	—	
INCOME (LOSS) FROM CONTINUING OPERATIONS	$ 1,870	$ (21)	$ 1,849	$ 721	$ 297	$
Weighted average shares of common stock outstanding:						
Basic	661			237		
Diluted	669			238		
Income per share from continuing operations:						
Basic	$ 2.83			$ 3.04		$

Diluted	2.79	3.03

See accompanying Notes to Exelon and PSEG Unaudited Pro Forma Condensed Combined Consolidated Statement of Operations, which are an integral part of these statements.

Exelon and PSEG
Notes to Unaudited Pro Forma Condensed
Combined Consolidated Statement of Operations

(a) *PSEG Historical Presentation*—Certain adjustments have been made to PSEG's historical presentation in order to conform to Exelon's historical presentation. These adjustments had no impact on the historical income from continuing operations reported by PSEG.

(b) *Boston Generating, LLC*—Amounts represent the pro forma adjustments required to eliminate the historical results of operations of Boston Generating, LLC, a previously indirect wholly-owned subsidiary, from Exelon's historical results of operations, as adjusted for discontinued operations. The disposition of this business met the significance test under SEC Regulation S-X, Article 3, Rule 3-05; accordingly, Boston Generating, LLC's results of operations have been excluded from the Exelon and PSEG Unaudited Pro Forma Condensed Combined Consolidated Financial Statements.

(c) *Operating Revenues and Purchased Power and Fuel*—Represents the pro forma adjustments required to reflect the net incremental operating revenue and net reduction in fuel expense resulting from the amortization of the fair valuation adjustment related to PSEG's power supply and fuel contracts (see balance sheet note (j)), as well as the reduction in operating revenue related to increased amortization of power supply contracts associated with PSEG Global.

(d) *Operating and Maintenance Expense*—Represents the pro forma adjustment required to reflect additional accretion expense arising from the fair valuation of PSEG's asset retirement obligations related to its nuclear generating facilities (see balance sheet note (h)).

(e) *Depreciation and Amortization Expense*—Represents the pro forma adjustment required to reflect the net incremental depreciation and amortization expense resulting from the fair valuation of power generating assets, nuclear fuel and consolidated PSEG Global generating assets, detailed as follows ($ in millions):

Description	Adjustment for the Three Months Ended March 31, 2005	Adjustment for the Year Ended December 31, 2004
Power generating assets (see balance sheet note (c))	$ 21	$ 82
Nuclear fuel and related intangible (see balance sheet note (d))	5	20
Consolidated PSEG Global generating assets (see balance sheet note (e))	(5)	(16)
Total	$ 21	$ 86

(f) *Interest Expense*—Represents the pro forma adjustment to interest expense of $23 million and $95 million resulting from the fair valuation of PSEG's third-party debt for the periods ended March 31, 2005 and December 31, 2004, respectively (see balance sheet note (g)). Additionally, pro forma adjustments to interest expense of ($20) million and ($61) million for the periods ended March 31, 2005 and December 31, 2004, respectively, result from amortizing the discount on the trust preferred securities within the Participating Units (see balance sheet note (g)). The increase in the fair value of the debt and the associated adjustment to the regulatory asset at PSE&G will be amortized over the same period and in the same amounts through interest expense with no impact to the income statement at PSE&G. The final fair value determination of the debt will be based on prevailing market interest rates at the completion of the merger and the necessary adjustment will be amortized as a reduction (in the case of a premium to book value) or an increase (in the case of a discount to book value) to interest expense over the remaining life of the individual debt issues.

(g) *Equity in Earnings of Unconsolidated Affiliates and Other, net*—Represents the pro forma adjustment required to reflect a net decrease in equity in earnings of unconsolidated investments and a net increase in other, net resulting from the fair value adjustment of the basis of PSEG Global's equity investments in domestic and foreign entities, joint ventures and partnerships (see balance sheet note (e)) and the related decrease in equity earnings that would have been recorded by PSEG had the basis difference in the investment been amortized.

(h) *Operating Revenues and Income Tax Provision*—Represents the pro forma adjustment required to increase operating revenues resulting from the fair valuation of PSEG's investments in leveraged leases (see balance sheet note (f)). Adjustment also reflects a related increase in the provision for income taxes. The amounts determined in this adjustment were based on the provisions of FASB Financial Interpretation No. 21, "Accounting for Leases in a Business Combination."

(i) *Intercompany Transactions*—Represents the pro forma adjustments required to eliminate transactions between Exelon and PSEG included in each company's historical financial statements. The underlying amounts in these adjustments relate primarily to purchases and sales of energy between the companies.

(j) *Income Tax Provision*—Represents the pro forma tax effect of the above adjustments, exclusive of the tax effect described in note (h), determined based on an estimated prospective statutory tax rate of 40% for the combined company. This estimate could change based on changes in the applicable tax rates and finalization of the combined company's tax position.

(k) *Shares Outstanding*—The pro forma weighted average number of basic shares outstanding is calculated by adding Exelon's weighted average number of basic shares of common stock outstanding for the three months ended March 31, 2005 or the year ended December 31, 2004, as applicable, and PSEG's weighted average number of basic shares of common stock outstanding for those same periods multiplied by the exchange ratio of 1.225. The pro forma weighted average number of diluted shares outstanding is calculated by adding Exelon's weighted average number of diluted shares of common stock outstanding for the three months ended March 31, 2005 or the year ended December 31, 2004, as applicable, and PSEG's weighted average number of diluted shares of common stock outstanding for those same periods as well as the estimated number of outstanding PSEG stock options expected to be exercised immediately following completion of the merger, using the treasury stock method, as of the close of the merger, multiplied by the exchange ratio of 1.225. The following table illustrates these computations (in millions):

Description	For the Three Months Ended March 31, 2005	For the Year Ended December 31, 2004
Basic:		
Exelon weighted average common shares	666.3	661.2
PSEG weighted average common shares	238.3	237.0
Exchange ratio	1.225	1.225
	291.9	290.3
Pro forma weighted average common shares	958.2	951.5
Diluted:		
Exelon weighted average common shares	674.8	669.4
PSEG weighted average common shares	242.2	238.3
Estimated exercise of PSEG stock options	1.0	1.0
Exchange ratio	1.225	1.225
	297.9	293.1

Pro forma weighted average diluted shares	972.7	962.5

Exelon and PSEG
Unaudited Pro Forma Condensed
Combined Consolidated Balance Sheet
As of March 31, 2005
(in millions)

	Exelon Historical	(a) PSEG Historical	Pro Forma Adjustments	Exelon Pro Forma
	(unaudited)	(unaudited)		
ASSETS				
Cash and cash equivalents	$ 360	$ 332	$ (9)(l)	$ 683
Restricted cash and investments	78	56	—	134
Accounts receivable, net	2,285	1,896	(53)(l)	4,128
Mark-to-market derivative assets	579	293	(56)(l)	816
Inventories	468	490	13 (l)	971
Deferred income taxes	99	21	28 (k)	148
Other	473	247	(40)(l)	680
TOTAL CURRENT ASSETS	4,342	3,335	(117)	7,560
Property, plant and equipment, net	21,413	13,797	1,783 (c) 44 (d) (564)(e)	36,473
Regulatory assets	4,702	5,008	270 (g)	9,980
Nuclear decommissioning trust funds	5,207	1,077	—	6,284
Investments	808	4,309	(63)(e) (1,463)(f)	3,591
Goodwill	4,696	512	8,147 (b)	13,355
Intangible assets	363	114	280 (e) 88 (d) 490 (j) (12)(i)	1,323
Mark-to-market derivative assets	359	44	(8)(l)	395
Deferred debits and other assets	518	247	(10)(l)	755
TOTAL ASSETS	$ 42,408	$ 28,443	$ 8,865	$ 79,716

See accompanying Notes to Exelon and PSEG Unaudited Pro Forma Condensed Combined Consolidated Balance Sheet, which are an integral part of these statements.

Exelon and PSEG
Unaudited Pro Forma Condensed
Combined Consolidated Balance Sheet
As of March 31, 2005
(in millions)

	Exelon Historical (unaudited)	(a) PSEG Historical (unaudited)	Pro Forma Adjustments	Exelon Pro Forma
LIABILITIES AND SHAREHOLDERS' EQUITY				
Commercial paper	$ 2,326	$ 370	$ —	$ 2,696
Long-term debt due within one year	1,011	528	8 (g) 17 (g)	1,564
Accounts payable	1,235	882	(83)(l)	2,034
Mark-to-market derivative liabilities	865	419	(57)(l)	1,227
Accrued expenses	907	506	46 (b)	1,459
Other	496	575	(8)(l)	1,063
TOTAL CURRENT LIABILITIES	6,840	3,280	(77)	10,043
Long-term debt	10,997	12,775	262 (g) 555 (g) (182)(g)	24,407
Deferred credits and other liabilities:				
Deferred income taxes	4,971	4,217	(1,606)(f) (769)(k)	6,813
Unamortized investment tax credits	272	62	—	334
Asset retirement obligations	4,039	317	617 (h)	4,973
Pension and postretirement benefit obligations	1,096	215	1,022 (i) 738 (i)	3,071
Spent nuclear fuel obligation	884	—	—	884
Regulatory liabilities	2,167	630	638 (j)	3,435
Mark-to-market derivative liabilities	411	281	(8)(l)	684
Other	930	850	588 (j) (9)(l)	2,359
TOTAL DEFERRED CREDITS AND OTHER LIABILITIES	14,770	6,572	1,211	22,553
Minority interest of consolidated subsidiaries	1	—	—	1
Preferred securities of subsidiaries	87	80	—	167
SHAREHOLDERS' EQUITY				
Common stock	7,757	4,564	(4,564) 12,813(m) (b)	20,570
Treasury stock, at cost	(90)	(969)	969 (m)	(90)
Retained earnings	3,607	2,576	(2,576) (3(m))(l)	3,604
Accumulated other comprehensive loss	(1,561)	(435)	435 (m) 22 (l)	(1,539)
TOTAL SHAREHOLDERS' EQUITY	9,713	5,736	7,096	22,545
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 42,408	$ 28,443	$ 8,865	$ 79,716

See accompanying Notes to Exelon and PSEG Unaudited Pro Forma Condensed Combined Consolidated Balance Sheet, which are an integral part of these statements.

Exelon and PSEG
Notes to Unaudited Pro Forma Condensed
Combined Consolidated Balance Sheet

(a) *PSEG Historical Presentation*—Certain adjustments have been made to PSEG's historical presentation in order to conform to Exelon's historical presentation.

(b) *Goodwill*—The estimated total purchase price of the merger, based on the average per share price of Exelon common stock during the two trading days before and the two trading days after December 20, 2004, the date Exelon and PSEG announced the merger, and the excess of purchase price over the book values of the assets acquired and liabilities assumed is as follows ($ in millions):

Value of Exelon common stock issued	$	12,569
Value of PSEG stock options assumed		62
Value of PSEG stock purchase contract (see note (g))		182
Total estimated purchase price		12,813
Less: Book value of PSEG assets acquired and liabilities assumed		(5,736)
Excess of purchase price over net book value of assets acquired	$	7,077

Under the purchase method of accounting, the total estimated purchase price, as shown in the table above, is allocated to PSEG's net tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values as of March 31, 2005. The fair value of these assets and liabilities is preliminary and is subject to change pending additional information that may come to our knowledge and restructuring decisions made upon completion of the merger. Additionally, the purchase method of accounting applied to the merger is based on current accounting literature, which may be amended prior to the completion of the merger and, if amended, could materially impact the allocation of purchase price. The preliminary adjustments to the assets acquired and liabilities assumed are as follows ($ in millions):

Excess of purchase price over net book value of assets acquired	$	7,077
Adjustments to goodwill related to:		
Property, plant and equipment, net		(1,263)
Intangible assets		(846)
Investments		1,526
Regulatory assets		(270)
Deferred tax assets		(28)
Other assets and liabilities		17
Accrued expenses (transaction costs directly related to the merger)		46
Pension and postretirement benefit obligations		1,760
Long-term debt		660
Asset retirement obligation		617
Regulatory liability		638
Power supply contracts		588
Deferred tax liabilities		(2,375)
Total adjustments		1,070
Total adjustment to goodwill	$	8,147

Pursuant to Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," goodwill is not amortized; rather, impairment tests are performed at least

annually, or more frequently if circumstances indicate an impairment may have occurred. If an impairment exists, the goodwill is immediately written down to its fair value through a current charge to earnings. Accordingly, the goodwill arising from the merger will be subject to an impairment test at least annually. Additionally, this goodwill will be allocated and "pushed down" to the underlying subsidiaries whose underlying assets and liabilities give rise to the fair value adjustments.

(c) *Power Generating Assets*—Represents the pro forma adjustment required to record PSEG's power generating assets at estimated fair market value, comprised of a $2.9 billion write-up of PSEG's nuclear generating facilities and a ($1.1) billion write-down of PSEG's fossil and other facilities. These adjustments were determined based on Exelon's and PSEG's managements' estimates of fair value based on estimates of cost per kilowatt of power.

The preliminary analyses indicated fair value estimates of PSEG's nuclear generating facilities ranging from approximately $2.1 billion to $3.4 billion. These analyses are significantly affected by assumptions regarding nuclear plant capacity factors, NRC license extensions for each of the nuclear facilities, operating costs and the expected market price for electricity. The $2.9 billion adjustment reflects the difference between the highpoint of the range and the $525.7 million book value of the nuclear stations as of March 31, 2005, as Exelon management believes this to be an appropriate estimate of the fair value of the underlying assets.

The preliminary analyses indicated fair value estimates of PSEG's fossil and other facilities ranging from approximately $2.4 billion to $4.2 billion. The ($1.1) billion adjustment reflects the difference between the midpoint of the range and the $4.3 billion book value of the facilities as of March 31, 2005, as Exelon management believes this to be an appropriate estimate of the fair value of the underlying assets.

These adjustments will be depreciated over the estimated remaining useful lives of the underlying assets.

These adjustments could be materially affected by changes in estimates of future capacity factors, operating costs, changes in NRC license extension assumptions and the expected market price for electricity at closing of the merger. Independent appraisals are expected to be completed subsequent to the closing of the merger.

On May 26, 2005, a subsidiary of PSEG entered into an agreement to sell a power generating station located in Waterford, Ohio to a subsidiary of American Electric Power Company, subject to certain regulatory approvals. The sale price is $220 million, which approximates the estimated fair value of the asset reflected in the Unaudited Pro Forma Condensed Combined Consolidated Financial Statements for the combined company. The impact of the sale on the combined company's Unaudited Pro Forma Condensed Combined Consolidated Financial Statements is not material. As a result of the sale agreement, PSEG will present the Waterford plant as a discontinued operation in its financial statements filed in future periodic reports commencing with PSEG's Report on Form 10-Q for the quarterly period ended June 30, 2005.

(d) *Nuclear Fuel*—Represents the pro forma adjustment required to record PSEG's nuclear fuel supply at estimated fair market value. The adjustment was determined based on nuclear fuel supply contracts previously entered into by PSEG with terms favorable to current market prices. The adjustment includes fair value adjustments to the nuclear fuel physically contained in the nuclear reactors as well as to nuclear fuel supply contracts. Accordingly, $44 million of this adjustment was recorded as an increase to property, plant and equipment, net for fuel in the reactors and $88 million was recorded as an intangible asset within other non-current assets for nuclear fuel supply contracts. The intangible asset will be amortized on a straight-line basis over the terms of the underlying contracts.

(e) *PSEG Global Business*—Represents the pro forma adjustment of ($347) million required to record at fair value PSEG's consolidated plant and non-consolidated equity investments in domestic and foreign entities, joint ventures and partnerships. The adjustment was determined based on an assessment of recent market comparable purchase and sale transactions for similar investments in the same region or, in the absence of sufficient recent comparable transactions, Exelon's and PSEG's managements' assessment of the fair value of the investment after considering all available information that would provide an indicator of fair value. Additionally, this adjustment considers the anticipated strategy of the combined company to divest in an orderly fashion all or a portion of these investments that do not meet the strategic objectives of the combined company after the close of the merger (see related discussion in "Risk Factors—Risks Relating to the Business of the Combined Company—Because a portion of the combined company's business will be conducted outside the United States, adverse international developments could negatively impact its business").

The range of potential adjustment, using both recent market comparable purchase and sale transactions for similar investments in the same region and discounted cash flow models, was an approximate write-up of $500 million to an approximate write-down of $1.1 billion. The range of potential adjustment based only on recent market comparable transactions was an approximate write-down of $300 million to $800 million. Until independent third-party valuations are received on each of the underlying investments, Exelon and PSEG have determined the mid-point of the range of recent market comparable transactions to be a reasonable fair value for purposes of these pro forma financial statements, unless Exelon and PSEG management concluded that the discounted cash flow models were a more appropriate indicator of fair value. Of the total adjustment of ($347) million, a ($564) million write-down was recorded to property, plant and equipment, net (related to property, plant and equipment within these entities that has historically been consolidated by PSEG), a $280 million write-up was recorded to power sale contracts related to consolidated property, plant and equipment, net and a net ($63) million write-down was recorded to investments (related to equity investments in the PSEG Global entities).

These adjustments could be materially affected by changes in the economies and political and regulatory structures of the countries in which these investments reside, as well as by changes in interest rates, commodity prices and third-party appraisals.

(f) *Investments in Leveraged Leases*—Represents the pro forma adjustments required to record PSEG's leveraged lease portfolio at estimated fair market value. Accordingly, $1,463 million of these adjustments was recorded to reduce PSEG's investment in leveraged leases and $1,606 million was recorded to write off the deferred tax liability related to the leveraged leases. These adjustments were derived using a fair valuation methodology that considered the present value of the estimated future after-tax cash flows of these investments from January 1, 2005 onward as a reasonable proxy for the estimated future after-tax cash flows from April 1, 2005 onward. The present value of the cash flows was determined using interest rates ranging from 5% to 9% based on the credit quality, lease structure and expected return on individual leases.

These adjustments could be materially affected by changes in interest rates and actual future cash flows generated by these leases. The fair valuation of the lease portfolio does not reflect the potential exposure related to the uncertainty of the tax deductibility of rents paid under the lease agreements. See related discussion in "Risk Factors—Risks Relating to the Business of the Combined Company—The Internal Revenue Service might successfully challenge certain leveraged lease transactions entered into by PSEG, which could have a material adverse impact on the combined company's operating results."

(g) *Debt*—Represents the pro forma adjustment totaling $842 million required to record PSEG's third-party debt, including transitional trust notes, at estimated fair market value. Based on the nature of the underlying debt instruments, $270 million of this adjustment (related to debt at PSE&G, including securitized debt) was offset by an increase to regulatory assets and $572 million of this adjustment (related to non-PSE&G debt) was recorded as an increase to goodwill. The increase in the fair value of the debt and the associated adjustment to the regulatory asset at PSE&G will be amortized over the same period and in the same amounts through interest expense with no impact to the income statement at PSE&G. Additionally, in connection with a detachable stock purchase contract embedded within PSEG's Participating Units, an adjustment of $182 million was recorded as additional purchase price consideration with a corresponding reduction to the book value of the trust preferred securities within the Participating Units in the form of a discount. The discount will be amortized as additional interest expense through the maturity date of the trust preferred securities. The final fair value determination will be based on prevailing market interest rates at the completion of the merger and the necessary adjustment will be amortized as a reduction (in the case of a premium to book value) or an increase (in the case of a discount to book value) to interest expense over the remaining life of the individual debt issues. Additionally, this adjustment could be materially affected by the rate structure of the PSE&G utility upon completion of the merger.

(h) *Asset Retirement Obligations*—Represents the pro forma adjustment required to record PSEG's asset retirement obligations related to its nuclear generating facilities at estimated fair market value. The adjustment was determined based on differences between the discount rate and other assumptions used by Exelon and PSEG. This adjustment could be materially affected by changes in interest rates, updated nuclear decommissioning cost studies, the timing and amount of actual cash flows, and changes in management's assumptions related to nuclear decommissioning.

(i) *Pension and Postretirement Benefit Obligations*—Represents the pro forma adjustments of $1,022 million, $738 million and $12 million required to record at fair value PSEG's pension obligation, postretirement benefit obligation and intangible asset, respectively, to reflect the elimination of previously deferred gains and losses, prior service cost, transition obligations and intangible assets; and further adjusted for changes to PSEG's discount rate, attribution period for certain employee benefits, removal of a cap on retiree medical subsidies and other assumptions.

The final fair value determination of the pension and postretirement benefit obligations may differ materially, largely due to potential changes in discount rates, return on plan assets up to the date of completion of the merger and the conforming of certain Exelon and PSEG assumptions surrounding the determination of these obligations. Additionally, this adjustment could be materially affected by the rate structure of the PSE&G utility upon completion of the merger.

(j) *Power Supply and Fuel Contracts*—Represents the pro forma adjustments required to record at estimated fair market value PSEG Power's power supply and fuel contracts, and PSE&G's power purchase contracts which are accounted for as "normal purchase, normal sale" transactions under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," or other contractual commitments. These adjustments were recorded as an increase to goodwill and regulatory liabilities at PSEG Power and PSE&G, respectively.

These adjustments will be accreted to earnings based on the remaining lives of the underlying contracts.

These adjustments were determined based on market information, if available, as well as Exelon's and PSEG's managements' view of the forward market curves for energy prices. This adjustment could be materially affected by changes in market prices of power, the forward price curves for the underlying commodities and changes in contract terms.

(k) *Deferred Income Taxes*—The current deferred tax asset represents the estimated impact on the allocation of purchase price to current liabilities. The non-current deferred tax liability represents the estimated impact on the allocation of purchase price to non-current assets. These estimates are based on the estimated prospective statutory tax rate of 40% for the combined company and could change based on changes in the applicable tax rates and finalization of the combined company's tax position.

(l) *Intercompany Transactions*—Represents the pro forma adjustment required to eliminate cash advances, accounts receivable and payable, inventories and other current and non-current assets and liabilities between Exelon and PSEG recorded at March 31, 2005 in each company's historical financial statements. These amounts relate primarily to purchases and sales of energy between the companies, as well as billings for services provided by one company to the other in connection with the operation of jointly-owned nuclear generating facilities.

(m) *Shareholders' Equity / Accumulated Other Comprehensive Loss*—Represents pro forma adjustments to eliminate the historical shareholders' equity of PSEG and the issuance of additional Exelon equity in connection with the merger.