- if the required approval of our or PSEG shareholders is not obtained at the respective shareholder meetings;

- if a nonappealable order has been entered prohibiting the Merger or, in connection with the required regulatory approvals, an order has been entered that is a "burdensome order" (as defined in the Merger Agreement) that is a nonappealable final order;

- if the board of directors of the other party withdraws, qualifies or modifies its declaration, approval or recommendation in a manner adverse to the other party; or

- if the other party breaches its representations, warranties or covenants in the Merger Agreement, which breach results in a failure of one of the conditions to completion of the Merger being satisfied and is not curable or cured.

The Merger Agreement may also be terminated by either of us or PSEG prior to completion of the Merger under certain circumstances. Depending upon the nature of the circumstances giving rise to any such termination of the Merger Agreement, in certain instances PSEG would be required to pay to us a termination fee of $400 million and our out-of-pocket expenses up to a maximum of $40 million, and in other instances we would be required to pay PSEG a termination fee of $400 million and up to $40 million of PSEG's out-of-pocket expenses.

The discussion of the Merger Agreement above is qualified in its entirety by the Merger Agreement itself, which is incorporated herein by reference. See Exelon's Current Report on Form 8-K filed on December 21, 2004 for a complete copy of the Merger Agreement.

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 our historical consolidated financial statements, as adjusted for discontinued operations (see Selected Financial Information) 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
- our 2004 disposition of Boston Generating, LLC, a previously indirect wholly-owned subsidiary.

As described in the accompanying notes, if the Merger is completed, our 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 New Jersey Bureau of Public Utilities (NJBPU) and the Pennsylvania Public Utility Commission (PUC) proceedings described under "The Proposed Merger – Regulatory Matters Relating to the Proposed Merger." In addition, if FERC were to hold a hearing on the application relating to the Merger, the anticipated closing would be extended into mid-2006 or perhaps later. As a result, we cannot predict the actual timing of the Merger, if completed. The excess of purchase price, including estimated fees and expenses related to the Merger incurred by us, 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. We 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 our 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 expected to occur following the completion of the Merger. 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 generally accepted accounting principles in the United States (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;

- the separate unaudited historical financial statements of Exelon and PSEG as of and for the three months ended March 31, 2005, included, as applicable, in our quarterly report on Form 10-Q for the three months ended March 31, 2005 (incorporated herein by reference) and PSEG's quarterly report on Form 10-Q for the three months ended March 31, 2005 (which is not incorporated herein by reference, but is available on the web site maintained by the SEC at http://www.sec.gov);

- the separate historical financial statements of Exelon and PSEG as of and for the year ended December 31, 2004, included, as applicable, in our annual report on Form 10-K for the year ended December 31, 2004 (incorporated herein by reference) and PSEG's annual report on Form 10-K for the year ended December 31, 2004 (which is not incorporated herein by reference, but is available on the web site maintained by the SEC at http://www.sec.gov);

- our Current Report on Form 8-K filed on May 13, 2005, in which Item 6, Item 7 and Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2004 were recast; and

- the Selected Financial Information on page S-6 above.

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)

	Exelon Historical (unaudited)	PSEG Historical[2] (unaudited)	Pro Forma Adjustments for Proposed Merger	Exelon Pro Forma
OPERATING REVENUES	$ 3,561	$ 3,310	$ 72 [4] (4)[4] 42 [9] 3 [10]	$ 6,984
OPERATING EXPENSES				
Purchased power and fuel	1,190	1,874	(18)[4] (1)[10]	3,045
Operating and maintenance	949	598	6 [5]	1,553
Depreciation and amortization	319	190	21 [6]	530
Taxes other income taxes	172	43	—	215
TOTAL OPERATING EXPENSES	2,630	2,705	8	5,343
OPERATING INCOME	931	605	105	1,641
Other income and deductions:				
Interest expense	(190)	(215)	23 [7] (20)[7]	(402)
Distributions on preferred securities of subsidiaries	(1)	(1)	—	(2)
Equity in earnings of unconsolidated affiliates	(36)	37	(2)[8]	(1)
Other, net	30	27	1 [8]	58
TOTAL OTHER INCOME AND DEDUCTIONS	(197)	(152)	2	(347)
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	734	453	107	1,294
Income tax provision	227	168	53 [9] 26 [11]	474
INCOME FROM CONTINUING OPERATIONS	$ 507	$ 285	$ 28	$ 820

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)

	Exelon Historical[1]	Pro Forma Adjustment for Boston Generating[3]	Exelon as Adjusted	PSEG Historical[2]	Pro Forma Adjustments for Proposed Merger	Exelon Pro Forma
OPERATING REVENUES	$ 14,133	$ (248)	$ 13,885	$ 10,996	$ 505 [4] (14) [4] 189 [9] (17) [10]	$ 25,544
OPERATING EXPENSES						
Purchased power and fuel	4,929	(222)	4,707	6,057	(178) [4] (4) [10]	10,582
Operating and maintenance	3,700	(62)	3,638	2,260	27 [5]	5,925
Depreciation and amortization	1,295	(4)	1,291	719	86 [6]	2,096
Taxes other income taxes	710	(9)	701	139	—	840
TOTAL OPERATING EXPENSES	10,634	(297)	10,337	9,175	(69)	19,443
OPERATING INCOME	3,499	49	3,548	1,821	732	6,101
Other income and deductions:						
Interest expense	(828)	5	(823)	(859)	95 [7] (61) [7]	(1,648)
Distributions on preferred securities of subsidiaries	(3)	—	(3)	(4)	—	(7)
Equity in earnings of unconsolidated affiliates	(154)	—	(154)	126	(8) [8]	(36)
Other, net	63	(90)	(27)	83	2 [8]	58
TOTAL OTHER INCOME AND DEDUCTIONS	(922)	(85)	(1,007)	(654)	28	(1,633)
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTEREST	2,577	(36)	2,541	1,167	760	4,468
Income tax provision (benefit)	713	(15)	698	446	235 [9] 228 [11]	1,607
Minority interest income, net of tax	6	—	6	—	—	6
INCOME (LOSS) FROM CONTINUING OPERATIONS	$ 1,870	$ (21)	$ 1,849	$ 721	$ 297	$ 2,867

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

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

(1) *Exelon Historical Presentation* – Our historical presentation reflects our historical financial statements as adjusted for discontinued operations. See our Current Report on Form 8-K filed on May 13, 2005.

(2) *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.

(3) *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.

(4) *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 (10)), as well as the reduction in operating revenue related to increased amortization of power supply contracts associated with PSEG Global L.L.C. (Global).

(5) *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 (8)).

(6) *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 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 (3))	21	82
Nuclear fuel and related intangible (see balance sheet note (4))	5	20
Consolidated PSEG Global generating assets (see balance sheet note (5))	(5)	(16)
Total	21	86

(7) *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 (7)). 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 PSEG's equity-based awards and securities convertible into shares of PSEG common stock (Participating Units) (see balance sheet note (7)). The increase in the fair value of the debt and the associated adjustment to the regulatory asset at Public Service Electric and Gas Company (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 if the Merger is completed 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.

(8) *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 (5)) and the related decrease in equity earnings that would have been recorded by PSEG had the basis difference in the investment been amortized.

(9) *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 (6)). Adjustment also reflects a related increase in the provision for income taxes. The amounts determined in this adjustment were based on the provisions of the Financial Accounting Standards Board's (FASB) Financial Interpretation No. 21, "Accounting for Leases in a Business Combination."

(10) *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.

(11) *Income Tax Provision* – Represents the pro forma tax effect of the above adjustments, exclusive of the tax effect described in note (9), 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.

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

ASSETS	Exelon Historical (unaudited)	PSEG Historical[1] (unaudited)	Pro Forma Adjustments for Proposed Merger	Exelon Pro Forma
Cash and cash equivalents	$ 360	$ 332	$ (9)[12]	$ 683
Restricted cash and investments	78	56	—	134
Accounts receivable, net	2,285	1,896	(53)[12]	4,128
Mark-to-market derivative assets	579	293	(56)[12]	816
Inventories	468	490	13[12]	971
Deferred income taxes	99	21	28[11]	148
Other	473	247	(40)[12]	680
TOTAL CURRENT ASSETS	4,342	3,335	(117)	7,560
Property, plant and equipment, net	21,413	13,797	1,783[3] 44[4] (564)[5]	36,473
Regulatory assets	4,702	5,008	270[7]	9,980
Nuclear decommissioning trust funds	5,207	1,077	—	6,284
Investments	808	4,309	(63)[5] (1,463)[6]	3,591
Goodwill	4,696	512	8,147[2]	13,355
Intangible assets	363	114	280[5][4] 88[10][9] 490 (12)	1,323
Mark-to-market derivative assets	359	44	(8)[12]	395
Preferred debits and other assets	518	247	(10)[12]	755
TOTAL ASSETS	$ 42,408	$ 28,443	$ 8,865	$ 79,716

See accompanying Notes to Exelon and PSEG Unaudited Pro Forma Condensed Combined 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)

LIABILITIES AND SHAREHOLDERS' EQUITY	Exelon Historical (unaudited)	PSEG Historical (unaudited)	Pro Forma Adjustments for Proposed Merger	Exelon Pro Forma
Commercial paper	$ 2,326	$ 370	$ —	$ 2,696
Long-term debt due within one year	1,011	528	8 (7) 17 (7)	1,564
Accounts payable	1,235	882	(83) (12)	2,034
Mark-to-market derivative liabilities	865	419	(57) (12)	1,227
Accrued expenses	907	506	46 (2)	1,459
Other	496	575	(8) (12)	1,063
TOTAL CURRENT LIABILITIES	6,840	3,280	(77)	10,043
Long-term debt	10,997 (14)	12,775 (14)	262 (7) 555 (7) (182) (7)	24,407
Deferred credits and other liabilities:				
Deferred income taxes	4,971	4,217	(1,606) (6) (769) (11)	6,813
Unamortized investment tax credits	272	62	—	334
Asset retirement obligations	4,039	317	617 (8)	4,973
Pension and postretirement benefit obligations	1,096	215	1,022 (9) 738 (9)	3,071
Spent nuclear fuel obligation	884	—	—	884
Regulatory liabilities	2,167	630	638 (10)	3,435
Mark-to-market derivative liabilities	411	281	(8) (12)	684
Other	930	850	588 (10) (9) (12)	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) (13) 12,813 (2)	20,570
Treasury stock, at cost	(90)	(969)	969 (13)	(90)
Retained earnings	3,607	2,576	(2,576) (13) (3) (12)	3,604
Accumulated other comprehensive loss	(1,561)	(435)	435 (13) 22 (12)	(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 Balance Sheet, which are an integral part of these statements

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

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

(2) *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 proposed Merger, and the excess of purchase price over the book values of the assets acquired and liabilities assumed are 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 (8))		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.

(3) *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 with the SEC in future periodic reports commencing with PSEG's Report on Form 10-Q for the quarterly period ended June 30, 2005.

(4) *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.

(5) *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 "The Proposed Merger – 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.

(6) *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 "The Proposed Merger – 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."

(7) *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.

(8) *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.

(9) *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.

(10) *Power Supply and Fuel Contracts* – Represents the pro forma adjustments required to record at estimated fair market value PSEG Power LLC's (PSEG Power) 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.

(11) *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.

(12) *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.

(13) *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.

(14) *Long-term Debt* – For PSEG, includes $1.9 billion (including $148 million due within one year) owed to a financing subsidiary of PSE&G which has issued transition notes and bonds to securitize a portion of PSE&G's stranded cost recovery and $1.4 billion of non-recourse debt issued by a subsidiary of PSEG. For Exelon, includes $4 billion (including $622 million due within one year) owed to financing trusts of ComEd and PECO which have issued transition notes and bonds to securitize portions of ComEd's and PECO's respective stranded cost recovery.

Exelon and PSEG Pro Forma Capitalization

The following table shows our actual short-term debt and capitalization on a consolidated basis and on a consolidated basis as adjusted to reflect this offering and the use of the proceeds from this offering as set forth under "Use of Proceeds" below, in each instance after giving effect to:

- discontinued operations;
- the Merger using the purchase method of accounting with Exelon treated as the acquirer; and
- our 2004 disposition of Boston Generating.

	As of March 31, 2005 ($ in millions)	
	Actual	Pro Forma As Adjusted[1]
Short-term debt[2]	$ 4,260	$ 2,575
Capitalization:		
Long-term debt:[3]		
Long-term debt to ComEd Transitional Funding Trust, PECO Energy Transition Trust and debt issued by PSE&G Transition Funding LLC[4]	$ 6,031	$ 6,031
Long-term debt to other financing trusts[5]	1,589	1,589
Other long-term debt[6]	16,787	18,487
Preferred securities of subsidiaries	167	167
Shareholders' equity	22,545	22,545
Total capitalization	$ 47,119	$ 48,819

(1) Reflects payment of $1,685 million of short-term indebtedness from the proceeds of this offering.

(2) Includes current maturities of long-term debt of $1,564 million, of which $775 million is long-term debt due to transition trusts.

(3) Includes unamortized debt discounts and premiums. Excludes current maturities.

(4) Represents amounts owed to financing trusts of ComEd and PECO and a financing subsidiary of PSE&G which have issued transition notes and bonds to securitize portions of ComEd's, PECO's and PSE&G's respective stranded cost recovery.

(5) Represents amounts owed to financing trusts of ComEd, PECO and PSEG which have issued company-obligated mandatorily redeemable preferred securities and which hold solely subordinated debt securities of ComEd, PECO and PSEG, respectively.

(6) Includes $1,424 million of non-recourse debt issued by a PSEG subsidiary.

Risk Factors

Risks relating to the Proposed Merger

The Merger may not be completed.

The completion of the Merger depends upon the satisfaction of a number of contingencies, including, but not limited to, approval by shareholders of both companies, antitrust clearance and a number of regulatory approvals or reviews by federal and state energy authorities. The parties also have certain rights to terminate the Merger Agreement prior to completion that they may choose to exercise if the conditions for the exercise of such rights are satisfied. There can be no assurance that the proposed Merger will be completed.

The anticipated benefits of combining PSEG and Exelon may not be realized.

We and PSEG entered into the Merger Agreement with the expectation that the Merger would result in various benefits, including, among other things, synergies, cost savings and operating efficiencies. Although we expect to achieve the anticipated benefits of the Merger, achieving them, including the synergies, is subject to a number of uncertainties, including:

- whether the FERC, the NJBPU and the other regulatory authorities whose approval is required to complete the Merger impose conditions on the Merger that may have a material adverse effect on the combined company;
- the extent to which the NJBPU, the PUC and other state regulatory authorities whose approval is required to complete the Merger require the combined company to share a portion of the expected synergies of the Merger with customers; and
- general competitive factors in the market place.

Although the companies' plans for integration and operation of the combined company and its subsidiaries and divisions are focused on minimizing uncertainties in order to achieve these anticipated benefits, no assurance can be given that these benefits will be achieved. Failure to achieve these anticipated benefits could result in increased costs, decreases in the amount of expected revenues and diversion of management's time and energy and could have an adverse effect on the combined company's business, financial condition, operating results and prospects.

We and PSEG may be unable to successfully integrate our operations.

The Merger involves the integration of two companies that previously operated independently. The difficulties of combining each company's operations include:

- the necessity of coordinating geographically separated organizations, systems and facilities; and
- integrating personnel with diverse business backgrounds.

In addition, the integration of some of our and PSEG's operations will require regulatory approval.

We and PSEG recognize that the process of integrating operations could cause an interruption of, or loss of momentum in, the activities of one or more of the combined company's businesses, and we intend to address these issues. The diversion of management's attention and any delays or difficulties encountered in connection with the Merger and the integration of the two companies' operations could have an adverse effect on the business, financial condition, operating results and prospects of the combined company after the Merger, and could impair the combined company's ability to realize the anticipated benefits of the Merger.

The combined company may be unable to obtain permission from the NJBPU to recover Public Service Electric and Gas Company's pension and other post-retirement benefit expenses, which could have an adverse effect on its cash flow and results of operation.

PSE&G is permitted by its current NJBPU rate order to recover through its rates the amortized portion of its pension expenses and other post-retirement benefit expenses associated with its pension and post-retirement obligations. As a result of the application of the purchase method of accounting to these costs, the recognition of certain unrecognized pension and other post-employment benefits (OPEB) expenses will be accelerated and, as a result, will no longer be reflected in the calculation of pension and OPEB expenses that PSE&G's current rate order permits it to recover. PSE&G estimates that it could have as much as $1.2 billion in unrecognized pension and OPEB expenses that PSE&G may be unable to recover following completion of the Merger unless it obtains approval from the NJBPU to permit continued recovery of those expenses in the manner the current rate order permits. We and PSEG have made it a condition to completion of the Merger that PSE&G receive an order from the NJBPU permitting PSE&G to continue to recover the pension expenses as it did prior to completion of the Merger. The NJBPU has issued similar orders in other merger proceedings and such an order would not be expected to increase rates above current levels; however, we cannot assure you that PSE&G will receive such an order from the NJBPU or that if it does receive such an order, it will be permitted in future rate proceedings to continue to recover these expenses. Failure to obtain or maintain the right to recover the pension and OPEB expenses would have an adverse effect on the combined company's cash flow and results of operations.

We and PSEG will incur significant transaction and merger-related integration costs in connection with the Merger.

We and PSEG expect to incur costs associated with consummating the Merger and integrating the operations of the two companies, as well as approximately $41 million in transaction fees in the case of Exelon and $29 million in the case of PSEG. The estimated $41 million of transaction costs incurred by us will be included as a component of the purchase price for purposes of purchase accounting. The amount of transaction fees expected to be incurred is a preliminary estimate and subject to change. We currently estimate integration costs associated with the Merger to be approximately $700 million over a period of four years, with approximately $450 million being incurred in the first full year of operations following completion of the Merger. We are in the early stages of assessing the magnitude of these costs and, therefore, these estimates may change, and additional unanticipated costs may be incurred in the integration of the businesses of Exelon and PSEG. Although we and PSEG believe that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses, will offset incremental transaction and merger-related costs over time, we cannot assure you that this net benefit will be achieved in the near term, or at all.

We and PSEG will be subject to business uncertainties and contractual restrictions while the Merger is pending which could adversely affect our businesses.

Uncertainty about the effect of the Merger on employees and customers may have an adverse effect on us and PSEG and, consequently, on the combined company. Although we and PSEG intend to take steps to reduce any adverse effects, these uncertainties may impair our and PSEG's ability to attract, retain and motivate key personnel until the Merger is completed and for a period of time thereafter, and could cause customers, suppliers and others that deal with us and PSEG to seek to change existing business relationships with us and PSEG. Employee retention may be particularly challenging during the pendency of the Merger, as employees may experience uncertainty about their future roles with the combined company. If, despite our and PSEG's retention efforts, key employees depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with the combined company, the combined company's business could be seriously harmed. In addition, the Merger Agreement restricts us and PSEG from making certain acquisitions and taking other specified actions until the Merger occurs or the Merger Agreement terminates. These restrictions may prevent us and PSEG from pursuing otherwise attractive business opportunities and making other changes to our businesses that may arise prior to completion of the Merger or termination of the Merger Agreement.

The combined company may be subject to adverse regulatory conditions following completion of the Merger.

Before the Merger may be completed, various approvals or consents must be obtained from FERC, the SEC, the Nuclear Regulatory Commission (NRC) and various utility regulatory, antitrust and other authorities in the United States and in foreign jurisdictions. The governmental authorities from which these approvals are required may impose conditions on completion of the Merger or require changes to the terms of the Merger. These conditions or changes could have the effect of delaying completion of the Merger or imposing additional costs on or limiting the revenues of the combined company following the Merger, any of which might have a material adverse effect on the combined company following completion of the Merger.

We and PSEG have filed or will file applications for the required statutory approvals with the governmental authorities described above, including a market concentration mitigation plan with FERC. The market concentration mitigation plan included with the companies' original filing with FERC contemplated (1) the divestiture of fossil fuel generating facilities with 2,900 MW of generating capacity and (2) the transfer of control of 2,600 MW of baseload nuclear capacity through either long-term firm baseload energy sales contracts or an annual auction. In response to certain objections and concerns raised by intervenors, we and PSEG filed a supplement to the market concentration mitigation plan, which proposed the divestiture of at least 1,100 MW of additional fossil fuel generating capacity, for a total of 6,600 MW of capacity proposed for mitigation, if FERC approves the Merger without an evidentiary hearing. We and PSEG have not offered to divest any nuclear generating facilities and do not anticipate doing so. FERC could, however, condition its approval of the Merger on the parties agreeing to divest or transfer control of a greater amount of capacity and/or to divest additional generation assets. If that were to occur, it could have the effects described in the previous paragraph.

Risks relating to the business of the combined company

Following the Merger, the combined company will continue to be subject to the operational, regulatory and other risks described in our Annual Report on Form 10-K, see "Business Outlook and the Challenges in Managing the Business" beginning on page 101 of our Annual Report on Form 10-K. In addition, following the Merger, the combined company will be subject to the additional risks described below:

Our and PSEG's businesses are, and the combined company's business will be, subject to extensive regulation that will affect their operations and costs.

PSE&G's New Jersey base rates for electric and gas distribution are subject to regulation by the NJBPU and are effective until a new base rate case is filed and concluded. In addition, limited categories of costs are recovered through adjustment charges that are periodically reset to reflect current costs. Inability to recover material costs not included in base rates or adjustment clauses could have an adverse effect on cash flow and financial position of the combined company.

PSEG Global's electric and gas distribution facilities located in various foreign jurisdictions are rate-regulated enterprises. Governmental authorities establish rates charged to customers. While these rates are designed to cover all operating costs and provide a return, considerable fiscal and cash uncertainties in certain countries due to local regulation or economic, political and social crisis could have an adverse impact. In addition, future rates may not be adequate to provide cash flow to pay principal and interest on the debt of PSEG Global's subsidiaries and affiliates or to enable its subsidiaries and affiliates to comply with the terms of debt agreements.

The combined company's energy delivery business will be obligated as the provider-of-last-resort to provide energy to all retail customers in its service territories, which makes it difficult to predict and plan for load requirements.

ComEd, PECO and PSE&G serve as the provider-of-last-resort, referred to in this prospectus supplement as a "POLR," for energy for all retail customers in their respective electric and gas service territories in Illinois, Pennsylvania, and New Jersey. As POLR suppliers, ComEd, PECO and PSE&G could be required to secure load requirements sufficient to serve all customers in their respective service territories in the event that customers do not choose alternate suppliers or a third party supplier is unable to satisfy its obligations. As a result, planning has a higher level of uncertainty than that traditionally experienced due to weather and the economy, and it is more difficult to predict and plan for the number of customers and their associated energy demand.

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.

In 1996 through 2002, PSEG, through its subsidiary PSEG Resources, L.L.C. (PSEG Resources), entered into a number of leveraged leasing transactions in the ordinary course of PSEG Resources' business. The IRS is likely to argue that certain of those transactions are of a type that it has announced its intention to challenge, and PSEG and Exelon understand that similar transactions entered into by other companies have been the subject of review and challenge by the IRS. As of March 31, 2005, the total gross investment by PSEG Resources in such transactions was approximately $1.4 billion.

The IRS is presently reviewing the tax returns of PSEG and its subsidiaries for tax years 1997 through 2000, years when PSEG Resources entered into these transactions. The IRS is aware of these lease transactions and has requested information and documents associated with them. To date, the IRS has not proposed to disallow any deductions claimed relative to these transactions, but may propose such disallowances in the future. If the tax benefits associated with the lease transactions were successfully challenged by the IRS, PSEG or, following completion of the Merger, the combined company would be assessed interest and possibly penalties in addition to any underpayments of tax. During the time period of 1997 through 2000, these transactions reduced current tax liabilities of PSEG by approximately $240 million and during the subsequent time period of 2001 though 2004, these and similar transactions reduced the current tax liabilities of PSEG by approximately $345 million. Interest that would be assessed on these potential deficiencies, if associated deductions were disallowed, would be approximately $140 million through March 31, 2005.

It is presently unclear the extent to which the IRS will seek to disallow deductions associated with lease transactions, if at all, and, if it were to do so, the extent to which any such challenge would be successful. If deductions associated with these transactions entered into by PSEG were successfully challenged by the IRS, it could have a material adverse impact on the combined company's operating results and could impact future returns on these transactions.

The FASB is currently considering a modification to GAAP for leveraged leases. Under present GAAP, a tax settlement with the IRS that results merely in a change in the timing of tax liabilities would not require an accounting repricing of the lease investment. As such, income from the lease would continue to accrue at the original economic yield computed for the lease and there would be no writedown of the lease investment.

A modification currently being considered by the FASB could require a lease to be repriced if a change in the timing of tax liabilities has a significant impact on the economic yield of the lease and to be retested to determine if it qualifies for leveraged lease accounting. If this or a similar modification were to be adopted by the FASB, a successful challenge by the IRS to the tax treatment of the leases referred to above (or a settlement with the IRS), could trigger a lease repricing. If a repricing were to occur, there could be a material adverse impact on the combined company's operating results. Further, such a successful challenge or settlement may cause the lease to fail to qualify for leveraged lease accounting. Failure to so qualify would require that the non-recourse debt associated with the lease be brought onto the balance sheet of the combined company, which also could have a material adverse impact on the combined company's operating results. It is presently unclear what modifications, if any, will be adopted by the FASB, the timing of any such modification and the effect of any such modification on the operating results of PSEG or 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.

Following completion of the Merger and prior to implementing the combined company's anticipated strategy of divesting assets that do not meet the strategic objectives of the combined company, it is expected that approximately 5% of its assets will be outside the United States and 3% of its revenue will be generated from sources outside the United States, most of which will be held by and generated from PSEG Global.

The economic and political conditions in certain countries where PSEG Global has interests present risks that may be different from, or more extensive than, those found in the United States including:

- foreign currency fluctuations;
- risks of war;
- expropriation;
- nationalization;
- renegotiation or nullification of existing contracts; and
- changes in law or tax policy.

Changes in the legal environment in foreign countries in which PSEG Global has investments could make it more difficult to obtain non-recourse project refinancing on suitable terms and could impair PSEG Global's ability to enforce its rights under agreements relating to such projects. In addition, such changes could make it more difficult for the combined company to pursue an accelerated strategy of selling certain of PSEG Global's investments that no longer meet strategic objectives of the combined company.

Operations in foreign countries also present risks associated with currency exchange and convertibility, inflation and repatriation of earnings. In countries in which PSEG Global operates in the future, economic and monetary conditions and other factors could affect PSEG Global's ability to convert its cash distributions to United States dollars or other freely convertible currencies, or to move funds offshore from these countries. Furthermore, the central bank of any of these countries may have the authority to suspend, restrict or otherwise impose conditions on foreign exchange transactions or to approve distributions to foreign investors. Although PSEG Global generally seeks to structure power purchase contracts and other project revenue agreements to provide for payments to be made in, or indexed to, United States dollars or a currency freely convertible into United States dollars, its ability to do so in all cases may be limited.

The combined company's results of operations and cash flows may be affected by its ability to divest unprofitable or under-performing businesses.

The combined company will pursue opportunities to sell businesses and assets that either do not meet the strategic objectives of the combined company or are unprofitable. The combined company may incur significant expenses in divesting these businesses. The combined company also may be unable to implement successfully this strategy for a number of reasons, including an inability to locate appropriate buyers or to negotiate acceptable terms for the transactions. In addition, the amounts that the combined company may realize from a divestiture are subject to fluctuating market conditions that may contribute to pricing and other terms that are materially different than expected and could result in a loss on the sale. Timing of any divestitures may positively or negatively affect the combined company's results of operations and cash flows.

Regulatory Matters Relating to the Proposed Merger

During the first quarter of 2005, we filed petitions or applications for approval of the Merger with the FERC under the Federal Power Act, the United States Department of Justice under the Hart Scott Rodino Antitrust Improvements Act of 1976, the PUC, the NJBPU, the NRC, the New York Public Service Commission, the Connecticut Siting Council, the New Jersey Department of Environmental Protection and with the SEC under the Public Utility Holding Company Act.

Approximately 50 intervenors, including governmental, consumer, industry and policy groups, have intervened to file objections in the proceedings before the FERC, and several of those parties have requested that the FERC hold hearings on the proposed Merger. In addition, various governmental, consumer and other parties have intervened, or are expected to intervene, in the proceedings before the NJBPU, the PUC and the other regulatory bodies. Approval of the Connecticut Siting Council was received on March 16, 2005. ComEd filed a notice of the Merger with the Illinois Commerce Commission (ICC), and the ICC's general counsel confirmed that its formal approval of the Merger is not required.

Other state and federal agencies will have a role in reviewing various aspects of the transaction. We expect to make these remaining filings in 2005. The closing of the Merger is dependent upon the receipt of all required approvals, including approval of the shareholders of both companies.

Post-Merger Directors and Officers

Board of Directors

Pursuant to the Merger Agreement and Exelon's Amended and Restated By-laws to be adopted upon completion of the Merger, we will increase the number of directors on our board of directors to eighteen and will appoint six former PSEG directors designated by the Chief Executive Officer of PSEG to fill six directors seats, subject to applicable laws and regulations. Such former PSEG directors will be allocated evenly among Classes I, II and III of the Exelon board of directors.

Chairman of the Board; Chief Executive Officer; President

Pursuant to Exelon's Amended and Restated By-laws to be adopted upon completion of the Merger, E. James Ferland, PSEG's Chairman of the Board, Chief Executive Officer and President, will become the non-executive Chairman of the Exelon board of directors. Mr. Ferland will serve as non-executive Chairman of the Exelon board of directors until the earlier of (1) March 31, 2007, his announced date of retirement, and (2) the date on which Mr. Ferland no longer serves as a member of the Exelon board of directors. At such time, the Chief Executive Officer of Exelon will be appointed as Chairman of the Exelon board of directors and continue in such role for the duration of the transition period and thereafter as determined by the Exelon board of directors. As the non-executive Chairman, Mr. Ferland will preside at all meetings of the Exelon board of directors and will, in consultation with the Chief Executive Officer of Exelon, establish the agenda for meetings of the Exelon board of directors. Mr. Ferland will have such other duties as non-executive Chairman of the Exelon board of directors as may from time to time be requested by the Chief Executive Officer of Exelon.

For at least the transition period, John W. Rowe will continue to serve as the President and Chief Executive Officer of Exelon in charge of general supervision over the business and operations of Exelon.

Senior Officers

The Merger Agreement provides that the officers of Exelon following the Merger will continue as the officers of Exelon with such substitutions, additions and deletions as shall be determined by Mr. Rowe in consultation with the Chief Executive Officer of PSEG and approved by the Exelon board of directors.

DESCRIPTION OF THE SENIOR NOTES

We will issue the notes in three series under the Indenture. The notes constitute senior debt securities, as described in the accompanying prospectus, and will contain all of the terms described in the accompanying prospectus under the heading "Description of Debt Securities."

General

The Indenture provides for issuance from time to time of debentures, notes (including the notes issued in this offering) and other evidences of our indebtedness in an unlimited amount. We may issue additional securities under the Indenture from time to time.

The notes will be our senior unsecured obligations and will rank equally with all of our other senior unsecured indebtedness and other obligations. As we are a holding company with no material assets other than our ownership interests in our subsidiaries, we are dependent upon our subsidiaries' earnings and cash flows to meet our obligations, including obligations with respect to the notes. In addition, the notes will be effectively subordinated to all existing and future debt, trade creditors, and other liabilities of our subsidiaries.

Interest on the notes will accrue at the rate of 4.45% per year with respect to the 4.45% Senior Notes due 2010, 4.90% per year with respect to the 4.90% Senior Notes due 2015, and 5.625% per year with respect to the 5.625% Senior Notes due 2035. Interest will accrue from June 9, 2005 or from the most recent interest payment date to which interest has been paid or provided for. Interest is payable twice a year to holders of record at the close of business on the June 1 or December 1 immediately preceding the interest payment date. Interest payment dates will be June 15 and December 15 of each year beginning on December 15, 2005.

The 4.45% Senior Notes due 2010 will mature on June 15, 2010. The 4.90% Senior Notes due 2015 will mature on June 15, 2015. The 5.625% Senior Notes due 2035 will mature on June 15, 2035.

We will issue the notes only in registered form in denominations of $1,000 and multiples thereof.

Form

The notes will be book-entry only and registered in the name of a nominee of DTC.

Redemption at Our Option

We may redeem any series of the notes in whole or in part, at our option at any time, at a redemption price equal to the greater of:

(1) 100% of the principal amount of the notes of the series being redeemed; or

(2) the sum of the present values of the remaining scheduled payments of principal and interest thereon (exclusive of interest accrued to the date of redemption) discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined below) plus, as applicable, 15 basis points (in the case of the 4.45% Senior Notes due 2010), 20 basis points (in the case of the 4.90% Senior Notes due 2015) and 25 basis points (in the case of the 5.625% Senior Notes due 2035),

plus accrued interest on the principal amount being redeemed to the redemption date.

Redemption of the notes of one series may be made without the redemption of the notes of any other series.

"Comparable Treasury Issue" means the United States Treasury security or securities selected by an Independent Investment Banker (as defined below) as having an actual or interpolated maturity comparable to the remaining term of the notes of the series being redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such notes.

"Comparable Treasury Price" means, with respect to any redemption date, (1) the average of the Reference Treasury Dealer Quotations (as defined below) for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (2) if the trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Independent Investment Banker" means one of the Reference Treasury Dealers (as defined below) appointed by the trustee after consultation with us.

"Reference Treasury Dealer" means each of Citigroup Global Markets Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, their respective successors, and two other primary U.S. Government securities dealers in The City of New York (Primary Treasury Dealer) selected by us. If any Reference Treasury Dealer shall cease to be a Primary Treasury Dealer, we will substitute another Primary Treasury Dealer for that dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the trustee by such Reference Treasury Dealer at 3:30 p.m. New York City time on the third business day preceding such redemption date.

"Treasury Rate" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

We will mail notice of any redemption at least 30 days but not more than 60 days before the redemption date to each holder of notes to be redeemed.

Unless we default in payment of the redemption price, on and after the redemption date interest will cease to accrue on the notes or portions thereof called for redemption.

Additional Notes

The notes of each series initially will be limited to the aggregate principal amount for that series set forth above. We may from time to time without notice to, or the consent of, the holders of the notes of a series, create and issue additional notes of that series, equal in rank to the notes of that series in all respects (or in all respects except for the payment of interest accruing prior to the issue date of the new notes or except for the first payment of interest following the issue date of the new notes) so that the new notes may be consolidated and form a single series with such notes and have the same terms as to status, redemption or otherwise as such notes. In the event that we issue additional notes, we will prepare a new offering memorandum or prospectus.

Covenants

Limitation upon Liens on Stock of Certain Subsidiaries

For so long as any notes remain outstanding, we will not create or incur or allow any of our subsidiaries to create or incur any pledge or security interest on (1) any of the capital stock of, or other equity interests in, PECO, ComEd or Generation and (2) any of the capital stock of, or other equity interests in, our subsidiaries which directly hold the capital stock of or other equity interests in PECO, ComEd or Generation, in each case held by us or one of our subsidiaries on the issue date of the notes.

Limitation upon Mergers, Consolidations, and Sales of Assets

The Indenture provides that we will not consolidate with or merge into, or transfer all or substantially all of our assets to, another company, unless:

- that company is organized under the laws of the United States or a state or is organized under the laws of a foreign jurisdiction and consents to the jurisdiction of the courts of the United States or a state;
- that company assumes by supplemental indenture all of our obligations under the Indenture and the notes; and
- immediately prior to and after giving effect to the transaction, no default exists under the Indenture.

The successor shall be substituted for us as if it had been an original party to the Indenture and the notes. Thereafter, the successor may exercise our rights and powers under the Indenture, the notes, and all of our obligations under those documents will terminate.

Events of Default

In addition to the events of default described in the Indenture, an event of default under the notes will include our failure to pay principal at maturity or acceleration following a default in an aggregate amount of $50 million or more with respect to any Indebtedness (as defined below) of Exelon Corporation (not including Indebtedness of our subsidiaries), or the acceleration of any of our Indebtedness aggregating $50 million or more which default is not cured, waived or postponed pursuant to an agreement with the holders of the Indebtedness within 30 days after written notice as provided in the Indenture, or the acceleration is not rescinded or annulled within 30 days after written notice as provided in the Indenture.

As used in the immediately preceding paragraph, "Indebtedness" means the following of our obligations:

- all obligations for borrowed money;
- all obligations evidenced by bonds, debentures, notes or similar instruments, or upon which interest payments are customarily made;
- all obligations under conditional sale or other title retention agreements relating to property purchased by us to the extent of the value of the property (other than customary reservations or retentions of title under agreement with suppliers entered into in the ordinary course of business); and
- all obligations issued or assumed as the deferred purchase price of property or services purchased by us which would appear as liabilities on our balance sheet.

Ratings

Moody's Investors Service, Inc., Standard and Poor's Ratings Services, and Fitch Ratings currently rate our long-term debt Baa2, BBB+ and BBB+, respectively.

A rating reflects only the views of a rating agency and is not a recommendation to buy, sell or hold the notes. Any rating can be revised upward or downward or withdrawn at any time by a rating agency if it decides the circumstances warrant that change. Each rating should be evaluated independently of any other rating.

UNDERWRITING

Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Banc of America Securities LLC, Barclays Capital Inc., Credit Suisse First Boston LLC and Deutsche Bank Securities Inc. are acting as joint book-running managers and as representatives of the underwriters named below for certain of the series of notes. Citigroup Global Markets Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated are acting as joint book-running managers for all series of notes. Banc of America Securities LLC is acting as a joint book-running manager for the 2035 notes only; Barclays Capital Inc. and Credit Suisse First Boston LLC are acting as joint book-runner managers for the 2015 notes only and Deutsche Bank Securities Inc is acting as joint book-running manager for the 2010 notes only.

Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus supplement, each underwriter named below has agreed to purchase, and we have agreed to sell to the underwriter, the principal amount of notes set forth opposite that underwriter's name.

Underwriter	Principal Amount of 4.45% Senior Notes due 2010	Principal Amount of 4.90% Senior Notes due 2015	Principal Amount of 5.625% Senior Notes due 2035
Citigroup Global Markets Inc.	$ 100,000,000	$ 158,000,000	$ 110,000,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	68,000,000	132,000,000	82,500,000
Banc of America Securities LLC	–	–	110,000,000
Barclays Capital Inc.	–	158,000,000	–
Credit Suisse First Boston LLC	–	158,000,000	–
Deutsche Bank Securities Inc.	100,000,000	–	–
UBS Securities LLC	–	–	62,500,000
Wachovia Capital Markets, LLC	–	–	62,500,000
ABN AMRO Incorporated	–	36,800,000	15,000,000
BNP Paribas Securities Corp	–	36,800,000	10,000,000
BNY Capital Markets, Inc.	32,000,000	–	–
Capital Management Group Securities LLC	9,000,000	–	–
Dresdner Kleinwort Wasserstein Securities LLC	–	36,800,000	15,000,000
KeyBanc Capital Markets	–	36,800,000	10,000,000
Loop Capital Markets, LLC	9,000,000	10,000,000	–
Piper Jaffray & Co.	32,000,000	–	–
Samuel A. Ramirez & Company, Inc.	9,000,000	–	–
Scotia Capital (USA) Inc.	–	36,800,000	10,000,000
The Williams Capital Group, L.P.	9,000,000	–	12,500,000
Wells Fargo Securities, LLC	32,000,000	–	–
Total	$ 400,000,000	$ 800,000,000	$ 500,000,000

The underwriting agreement provides that the obligations of the underwriters to purchase the notes included in this offering are subject to the approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase all of the notes if they purchase any of the notes.

The underwriters propose to offer some of the notes directly to the public at the public offering price set forth on the cover page of this prospectus supplement and some of the notes to dealers at the public offering price less a concession not to exceed the amounts listed in the table below. The underwriters may allow, and dealers may reallow, a concession not to exceed the amounts listed in the table below on sales to other dealers. After the initial offering of the notes to the public, the representatives may change the public offering price and concessions.

	4.45% Senior Notes due 2010	4.90% Senior Notes due 2015	5.625% Senior Notes due 2035
Selling Concession	0.350%	0.400%	0.500%
Dealer Reallowance	0.250%	0.250%	0.250%

The following table shows the underwriting discounts and commissions that we are to pay to the underwriters in connection with this offering (expressed as a percentage of the principal amount of the notes).

	Paid by Exelon
Per 4.45% Senior Note due 2010	0.600%
Per 4.90% Senior Note due 2015	0.650%
Per 5.625% Senior Note due 2035	0.875%

In connection with the offering, the representatives may purchase and sell notes in the open market. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. Over-allotment involves syndicate sales of notes in excess of the principal amount of notes to be purchased by the underwriters in the offering, which creates a syndicate short position. Syndicate covering transactions involve purchases of the notes in the open market after the distribution has been completed in order to cover syndicate short positions. Stabilizing transactions consist of certain bids or purchases of notes made for the purpose of preventing or retarding a decline in the market price of the notes while the offering is in progress.

The underwriters also may impose a penalty bid. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when the representatives, in covering syndicate short positions or making stabilizing purchases, repurchase notes originally sold by that syndicate member.

Any of these activities may have the effect of preventing or retarding a decline in the market price of the notes. They may also cause the price of the notes to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The underwriters may conduct these transactions in the over-the-counter market or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

We estimate that our total expenses for this offering (excluding underwriting commissions and discounts) will be $850,000.

The underwriters have performed investment banking and advisory services for us and our affiliates from time to time for which they have received customary fees and expenses. The underwriters may, from time to time, engage in transactions with and perform services for us and our affiliates in the ordinary course of their business. Affiliates of Citigroup Global Markets Inc. serve as the administrative agent and lead arranger and sole book runner under our $2.0 billion term loan agreement. In addition, affiliates of Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Banc of America Securities LLC, Barclays Capital Inc., Credit Suisse First Boston LLC, Deutsche Bank Securities Inc., ABN AMRO Incorporated, BNP Paribas Securities Corp., BNY Capital Markets, Inc., KeyBanc Capital Markets, Scotia Capital (USA) Inc., Wachovia Capital Markets, LLC and Wells Fargo Securities, LLC are among the lenders thereunder. We will use the proceeds from this offering to repay approximately $1.5 billion in remaining principal outstanding under this term loan. See "Use of Proceeds" above.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

LEGAL MATTERS

Ballard Spahr Andrews & Ingersoll, LLP, Philadelphia, Pennsylvania, will provide an opinion as to legal matters in connection with the notes. Winston & Strawn LLP, Chicago, Illinois, will pass on certain legal matters for the underwriters. Winston & Strawn LLP provides legal services to Exelon and certain of its subsidiaries from time to time.

EXPERTS

The consolidated financial statements of Exelon Corporation and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting) incorporated in this prospectus supplement by reference to the Exelon Corporation Current Report on Form 8-K filed by Exelon Corporation on May 13, 2005 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

$2,000,000,000

EXELON CORPORATION

Debt Securities
Common Stock
Stock Purchase Contracts
Stock Purchase Units
Preferred Stock
Subordinated Debt Securities
Guarantee of Trust Preferred Securities

EXELON CAPITAL TRUST I
EXELON CAPITAL TRUST II
EXELON CAPITAL TRUST III

Trust Preferred Securities
(guaranteed by Exelon Corporation as described in this prospectus)

Exelon Corporation may use this prospectus to offer and sell from time to time:

- unsecured senior debt securities;
- common stock;
- stock purchase contracts;
- stock purchase units;
- preferred stock in one or more series;
- subordinated debt securities to be purchased by Exelon Capital Trust I, Exelon Capital Trust II and/or Exelon Capital Trust III; and
- guarantees of trust preferred securities sold by Exelon Capital Trust I, Exelon Capital Trust II and Exelon Capital Trust III.

Exelon Capital Trust I, Exelon Capital Trust II and Exelon Capital Trust III may use this prospectus to offer and sell from time to time trust preferred securities that will be guaranteed by Exelon Corporation.

We will provide the specific terms of these securities in supplements to this prospectus prepared in connection with each offering. The securities offered will contain other significant terms and conditions. Please read this prospectus and the applicable prospectus supplement carefully before you invest. This prospectus may not be used to consummate sales of the offered securities unless accompanied by a prospectus supplement.

Our common shares are listed on the New York, Chicago and Philadelphia Stock Exchanges, under the symbol "EXC."

Please see "Risk Factors" beginning on page 4 for a discussion of factors you should consider in connection with a purchase of the securities offered in this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is February 10, 2004.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission (SEC) using a "shelf" registration process. Under this shelf registration process, we may, from time to time, sell the securities described in this prospectus or combinations thereof in one or more offerings with a maximum aggregate initial offering price of up to $2,000,000,000, which includes $1,000,000,000 of debt securities that were registered on a prior registration statement. This prospectus provides a general description of the securities we may offer. Each time we sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with additional information described under "Where You Can Find More Information."

Unless otherwise indicated, all references in this prospectus or a prospectus supplement to "Exelon Corporation," "Exelon," "we," "our," "us," or similar terms mean Exelon Corporation, and all references to "the trusts" mean Exelon Capital Trust I, Exelon Capital Trust II and Exelon Capital Trust III.

We are not offering the securities in any state where the offer is not permitted.

You should not assume that the information in this prospectus is accurate as of any date other than the date on the front cover of this document.

You should rely only on information contained in this prospectus or the documents to which we have referred you. We have not authorized anyone to provide you with information that is different. This prospectus and related prospectus supplement may be used only where it is legal to sell these securities. The information in this prospectus and any prospectus supplement may only be accurate on the date of this document. Our business, financial condition, results of operations and prospects may have changed since that date.

Please see "Risk Factors" beginning on page 4 for a discussion of factors you should consider in connection with a purchase of the securities offered in this prospectus.

WHERE YOU CAN FIND MORE INFORMATION

We are a reporting company and file annual, quarterly and current reports, proxy statements and other information with the SEC. The public may read and copy any reports or other information that we file with the SEC at the SEC's public reference room, Room 1024 at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549. The public may obtain information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. These documents are also available to the public from commercial document retrieval services and at the web site maintained by the SEC at http://www.sec.gov. Reports, proxy statements and other information concerning us may also be inspected at the offices of the New York Stock Exchange, which is located at 20 Broad Street, New York, New York 10005. You may also obtain a copy of the registration statement at no cost by writing us at the following address:

Exelon Corporation
Attn: Investor Relations
10 South Dearborn Street - 37th Floor
P.O. Box 805379
Chicago, IL 60680-5379

This prospectus is one part of a registration statement filed on Form S-3 with the SEC under the Securities Act of 1933, as amended, known as the Securities Act. This prospectus does not contain all of the information set forth in the registration statement and the exhibits and schedules to the registration statement. For further information concerning us and the securities, you should read the entire registration statement including this prospectus and any related prospectus supplements, and the additional information described under the sub-heading "Documents Incorporated By Reference" below. The registration statement has been filed electronically and may be obtained in any manner listed above. Any statements contained herein concerning the provisions of any document are not necessarily complete, and, in each instance, reference is made to the copy of such document filed as an exhibit to the registration statement or otherwise filed with the SEC. Each such statement is qualified in its entirety by such reference.

Information about us is also available on our web site at http://www.exeloncorp.com. This URL and the SEC's URL above are intended to be inactive textual references only. Such information on our or the SEC's web site is not a part of this prospectus.

DOCUMENTS INCORPORATED BY REFERENCE

The SEC allows us to "incorporate by reference" information that we file with them, which means that we can disclose important information to you by referring you to those other documents. The information incorporated by reference is an important part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. This incorporation by reference does not include documents that are furnished but not filed with the SEC. We incorporate by reference the documents listed below and any future documents that we file with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act but prior to the termination of any offering of securities made by this prospectus:

- Our Annual Report on Form 10-K for the year ended December 31, 2002, as amended by the Form 10-K/A filed on December 15, 2003;
- Our Quarterly Reports on Form 10-Q for the fiscal quarters ended March 31, 2003, June 30, 2003, and September 30, 2003, in each case as amended by the Form 10-Q/A filed on December 15, 2003;

- Our Current Reports on Form 8-K filed January 15, 2003, January 30, 2003, February 21, 2003, March 6, 2003, March 7, 2003, March 31, 2003, May 6, 2003, May 8, 2003, May 30, 2003, June 6, 2003, June 13, 2003, June 17, 2003, June 18, 2003, June 18, 2003, June 26, 2003, July 11, 2003, July 29, 2003, July 30, 2003, August 6, 2003, August 13, 2003, September 2, 2003, September 12, 2003, September 25, 2003, September 29, 2003, October 1, 2003, October 3, 2003, October 31, 2003, November 3, 2003, November 10, 2003, November 24, 2003, December 3, 2003, December 18, 2003, December 22, 2003, January 28, 2004 and February 10, 2004; and

- the description of our common stock contained in the registration statement on Form 8-A filed under the Securities Exchange Act of 1934, as amended, including any amendment thereto or report filed for the purpose of updating such description.

Upon written or oral request, we will provide without charge to each person, including any beneficial owner, to whom this prospectus is delivered, a copy of any or all of such documents which are incorporated herein by reference (other than exhibits to such documents unless such exhibits are specifically incorporated by reference into the documents that this prospectus incorporates). Written or oral requests for copies should be directed to Exelon Corporation, Attn: Investor Relations, 10 South Dearborn Street, 37th Floor, P.O. Box 805379, Chicago, IL 60680-5379.

Any statement contained in this prospectus, or in a document all or a portion of which is incorporated by reference, shall be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus, any supplement or any document incorporated by reference modifies or supersedes such statement. Any such statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this prospectus.

All reports and other documents subsequently filed by us pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act, prior to the filing of a post-effective amendment, which indicates that all of a class of securities offered hereby have been sold or which deregisters all of a class of securities then remaining unsold, shall be deemed incorporated by reference herein and to be a part hereof from the date of filing of such documents.

We have not included or incorporated by reference any separate financial statements of the trusts. We do not consider the financial statements of the trusts to be material to holders of the trust preferred securities because each trust (1) is a newly formed special purpose entity that has no operating history or independent operations and (2) is not engaged in and does not propose to engage in any activity other than holding our subordinated debt securities and issuing the trust preferred securities. We do not expect the trusts to file periodic reports under Sections 13 and 15(d) of the Exchange Act.

RISK FACTORS

Our business is affected by the various factors discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations incorporated into this prospectus by reference to our Annual Report on Form 10-K. In addition, the various other factors described in this section could affect our business, results of operations or the price of our securities. We believe the risks and uncertainties described below and in our Annual Report on Form 10-K are the material risks and uncertainties known or currently anticipated by us that effect our business. Additional risks relating to any offered securities will be included in the prospectus supplement for those securities.

- **Our holding company structure could limit our ability to pay debt service or dividends.**

We are a holding company with no material assets other than the stock of our subsidiaries. Accordingly, all of our operations are conducted by our subsidiaries. Our ability to pay principal and interest on our debt and dividends on our common and preferred stock depends on the payment to us of dividends by our operating subsidiaries, namely Commonwealth Edison Company (ComEd), PECO Energy Company (PECO) and Exelon Generation Company, LLC (Generation). These subsidiaries' payments of dividends to us in turn depend on their results of operations and cash flows. PECO and ComEd also are subject to regulatory restrictions that generally permit the payment of dividends solely from the amount of retained or current earnings and preclude any payment if the subsidiary's equity is less than 30% of its capitalization.

- **Fluctuations in our operating results may affect the market prices of our securities.**

The market price of our common stock and other securities may fluctuate because our operating results may vary. Variations in our operating results can result from many factors, including factors beyond our control, such as weather and economic conditions. Our results of operations may also vary significantly from quarter to quarter because of the timing of certain events and other factors, including the other risks factors set forth in this prospectus. Therefore, you should not rely on our results of operations during any particular quarter as an indication of our results for a full year or any other quarter.

- **Our financial performance will be affected by our ability to achieve the targeted cash savings under our new Exelon Way business model.**

We have begun to implement our new business model referred to as The Exelon Way, which is focused on improving operating cash flows while meeting service and financial commitments through improved integration of operations and consolidation of support functions. We may, however, not be able to attain the improvements in operating cash flow presently targeted by The Exelon Way business model. We anticipate incurring expenses associated with reaching these annual cash savings levels in the near future. Our inability to achieve targeted annual cash savings levels in the targeted timeframes could adversely affect our future financial performance.

- **The price of our securities may be affected by the general perception of the energy and utility sectors of the economy.**

Events, such as the August 14, 2003 blackout, those involving Enron Corporation, political unrest in oil-producing countries and the California energy crisis, in addition to the fact that the energy industry is changing and subject to greater risk, could adversely affect investors' perception of the energy and utility sectors and could adversely affect the equity prices of companies in those sectors. We cannot predict what news or event will affect the public or how any news or event affects the market price of our securities, but fluctuations due to such news and events could be severe and any negative effects could be long lasting.

- **Our businesses are subject to extensive regulation that affects our operations and our costs.**

Our businesses are extensively regulated. We are subject to regulation by the SEC under the Public Utility Holding Company Act (PUHCA), by the Federal Energy Regulatory Commission (FERC) and the Nuclear Regulatory Commission (NRC) under energy legislation, by federal, state and local authorities under environmental laws and by state public utility commissions under laws regulating our distribution and transmission businesses. Regulation affects almost every aspect of our businesses, from our fundamental business management actions to our ability to:

- determine the terms and rates of our Energy Delivery businesses' services;
- make acquisitions;
- issue equity or debt securities;
- engage in transactions among our affiliates; and
- pay dividends.

Changes in regulation can cause delays in or affect business planning and transactions and can increase our costs.

As part of retail deregulation initiatives in Illinois and Pennsylvania and other regulatory proceedings, ComEd's and PECO's rates are currently subject to limitations, including:

- a freeze on ComEd's rates through 2006;
- a limitation on ComEd's return on equity through 2006;
- a cap on PECO's electric transmission and distribution rates through 2006;
- a cap on PECO's overall rates through 2010; and
- scheduled recovery of PECO's electric stranded costs that will increase amortization expenses through 2010.

These rate provisions substantially limit the ability of ComEd and PECO to recover cost increases or the costs of new investments. As a result, ComEd and PECO must effectively manage their costs to maintain their current profitability.

- **Our financial performance will be affected by the amortization and eventual termination of stranded cost recovery for ComEd and PECO.**

Both ComEd's and PECO's current retail electric rates include charges to recover stranded costs that might not otherwise be recoverable in a fully competitive market. The amount of stranded cost recovery by ComEd varies annually depending on wholesale market prices and other factors, with stranded cost recovery ending at the end of 2006. Stranded cost recovery by PECO continues through 2010. Although the annual amount of stranded cost recovery is scheduled to increase during that period,