a person (within the meaning of Section 103(b)(13) of the 1954 Code). Bond Counsel is further of the opinion that interest on the Bonds will not be treated as an item of tax preference in computing the alternative minimum tax for individuals and corporations. Interest on the Bonds will be taken into account, however, in computing an adjustment used in determining the alternative minimum tax for certain corporations.

In rendering its opinion, Bond Counsel will rely upon certificates of the Authority and the Company with respect to certain material facts solely within the Authority's and the Company's knowledge relating to the property financed or refinanced with the proceeds of the Bonds and the application of the proceeds of the Bonds.

Certain requirements and procedures contained or referred to in the Indenture, the Loan Agreement, the Tax Agreement and other relevant documents may be changed and certain actions (including, without limitation, conversion of the interest mode on the Bonds and defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel does not express any opinion as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Pugh, Jones, Johnson & Quandt, P. C.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect an owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the owner or the owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Bond Counsel's opinion is based on existing law, which is subject to change. Such opinion is further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel has not verified these representations by independent investigation. Bond Counsel does not purport to be an expert in financial analysis, financial projections or similar disciplines. Failure of any of these factual representations to be correct may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in law that may thereafter occur or become effective. The opinion of Bond Counsel expresses the professional judgment of Bond Counsel regarding the legal issues expressly addressed therein. By rendering its legal opinion, Bond Counsel does not become an insurer or guarantor of the result indicated by that expression of professional judgment, of the transaction on which the opinion is rendered or of the future performance of the parties to the transaction. Nor does the rendering of the opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Bond Counsel gives no assurance that any future legislation or clarifications or amendments to the Code or to state law, if enacted into law, will not cause the interest on the Bonds to be subject, directly or indirectly, to federal or state income taxation, or otherwise prevent the owners from realizing the full current benefit of the tax status of the interest on the Bonds. Prospective purchasers of the Bonds are encouraged to consult their own tax advisors regarding any pending federal or state legislation, as to which Bond Counsel expresses no view.

Bond Counsel is not obligated to defend the Authority or the Company, regarding the tax-exempt status of the Bonds in the event of an examination by the IRS. Under current IRS procedures, the owners and other parties other than the Authority would have little, if any, right to participate in an IRS examination of the Bonds. Moreover, because obtaining judicial review in connection with an IRS examination of tax-exempt bonds is difficult, obtaining independent review of IRS positions with which the Authority or the Company legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for examination, or the course or result of such an examination, or an examination of bonds presenting similar tax issues may affect the market price, or the marketability, of the Bonds, and may cause the Authority, the Company or the owners to incur significant expense.

Section 6049 of the Code requires information reporting for payments of tax-exempt interest, applicable to interest paid after December 31, 2005. The IRS has published transitional guidance for information reporting requirements for payments of interest on tax-exempt bonds, including circumstances under which "backup withholding" may be required.

Interest on the Bonds is not exempt from present State of Illinois income taxes.

The Bonds are being issued by the Illinois Finance Authority to refund the Prior Bonds. The Authority is also issuing today its $50,000,000 aggregate principal amount Pollution Control Revenue Refunding Bonds (Commonwealth Edison Company Project) Series 2008D (the "*Series 2008D Bonds*") to refund $50,000,000 aggregate principal amount of Pollution Control Revenue Refunding Bonds (Commonwealth Edison Company Project) Series 2003C of the Illinois Development Finance Authority. For certain federal income tax purposes the Bonds and the Series 2008D Bonds will be treated as a single issue of bonds, and if interest on either issue treated as not excludable from gross income for federal income tax purposes, that could result in the interest on both issues being treated as not excludable from gross income for federal income tax purposes.

The law firm of Foley & Lardner LLP, Chicago, Illinois, is serving as bond counsel for the Series 2008D Bonds. The opinion of Pugh, Jones, Johnson & Quandt, P. C., as to the tax exempt character of interest on the Bonds relies upon the opinion of Foley & Lardner LLP as to the tax-exempt character of interest on the Series 2008D Bonds without making any independent examination in that regard.

CERTAIN LEGAL MATTERS

The issuance of the Bonds is subject to the approving legal opinion of Pugh, Jones, Johnson & Quandt, P.C., Chicago, Illinois, as Bond Counsel ("*Bond Counsel*") which has been retained by the Company, and the Underwriters' obligations to purchase the Bonds are subject to the issuance of Bond Counsel's approving opinion with respect thereto. Bond Counsel has not been retained or consulted on disclosures matters and has not undertaken to review or verify the accuracy, completeness or sufficiency of this Official Statement or other offering material related to the Bonds. Bond Counsel assumes no responsibility for the statements or information contained in or incorporated by reference in this Official Statement except that in its capacity as Bond Counsel, Pugh, Jones, Johnson & Quandt, P.C., at the request of the Underwriters, has reviewed the statements under the captions "THE BONDS" (other than under the subcaptions "Special Considerations Relating to the Bonds" and "Book-Entry System"), "THE LOAN AGREEMENT" and "THE INDENTURE" in this Official Statement solely to determine if those statements accurately summarize the portions of those documents that are so summarized. Bond Counsel has also reviewed the statements under the caption "TAX EXEMPTION" solely to determine whether the reviewed statements are accurate. Such review was undertaken solely at the request and for the benefit of the Underwriters. Pugh, Jones, Johnson & Quandt, P.C. provides legal services to Exelon Corporation and its subsidiaries, including the Company, from time to time.

Certain legal matters will be passed upon for the Company by its counsel, Sidley Austin LLP. Certain legal matters will be passed upon for the Authority by its counsel, Kevin M. Cahill, Esquire. Certain legal matters will be passed upon for the Underwriters by their counsel, Winston & Strawn LLP. Winston & Strawn LLP provides legal services to Exelon Corporation and its subsidiaries, including the Company, from time to time.

RELATIONSHIP OF PARTIES

The Mortgage Trustee is an affiliate of The Bank of New York Trust Company, N.A., the Trustee under the Indenture.

MISCELLANEOUS

The attached Appendices (including the documents incorporated by reference therein) are an integral part of this Official Statement and must be read together with the balance of this Official Statement.

The distribution of this Official Statement has been duly authorized by the Authority. The Authority neither has nor assumes, however, any responsibility for the accuracy or completeness of any information contained herein (other than under "THE AUTHORITY" and "LITIGATION — The Authority") or in the Appendices hereto, all of which has been furnished by others.

NEW ISSUE—BOOK-ENTRY ONLY

Subject to compliance by the Authority and the Company with certain covenants, in the opinion of Foley & Lardner LLP, Chicago, Illinois, Bond Counsel, under present law, interest on the Bonds will not be includible in the gross income of the owners thereof for federal income tax purposes, except for interest on any Bonds for any period during which they are held by a person who is a substantial user of the Project or any person considered to be related to such person (within the meaning of Section 103(b)(13) of the Internal Revenue Code of 1954, as amended) and to the extent that such interest will be taken into account in computing the corporate alternative minimum tax and the branch profits tax. Interest on the Bonds will not be treated as an item of tax preference in computing the alternative minimum tax for individuals and corporations. See the heading "TAX EXEMPTION" herein for a more detailed discussion of some of the federal tax consequences of owning the Bonds. The interest on the Bonds is not exempt from present Illinois income taxes.

$49,830,000
ILLINOIS FINANCE AUTHORITY
POLLUTION CONTROL REVENUE REFUNDING BONDS
(Commonwealth Edison Company Project)
Series 2008E

Dated: Date of Original Issuance **Due: May 1, 2021**

The Bonds will be issued to refund certain obligations issued to refinance the cost of certain pollution control and solid waste disposal facilities of Commonwealth Edison Company. The Bonds will be special, limited obligations of the Authority, and will be payable, except to the extent payable from Bond proceeds and certain other moneys pledged therefor, from and secured by a pledge of payments to be made under a Loan Agreement with, and secured by a First Mortgage Bond to be issued by Commonwealth Edison Company

An Exelon Company

and from funds drawn under an irrevocable letter of credit issued by SunTrust Bank

The Letter of Credit will permit The Bank of New York Trust Company, N.A., as trustee (the "*Trustee*"), to draw up to an amount sufficient to pay the principal or purchase price of the Bonds and up to 53 days' interest accrued thereon at a maximum rate of 12%, all as described in this Official Statement. The Letter of Credit will expire on June 27, 2009, unless terminated earlier as described herein. Unless the Letter of Credit is extended or replaced as described herein, the Bonds will be subject to mandatory purchase prior to its expiration.

The Bonds will be issued in fully-registered form initially in denominations of integral multiples of $100,000 registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("*DTC*"). DTC will act as securities depository of the Bonds. See "THE BONDS—Book-Entry System" herein.

The Bonds will initially accrue interest at the Weekly Rate in the Weekly Mode. The Interest Payment Date with respect to the Bonds while in the Weekly Mode is the first Business Day of each month and the Business Day immediately following the last Interest Period during which the Bonds bear interest at the Weekly Rate.

The interest rate of the Bonds may be converted from the Weekly Rate to a different rate basis, following mandatory tender for purchase (with no right to retain Bonds) on the related Purchase Date, as described herein. See "THE BONDS—Interest on the Bonds," "—Interest Rate Modes," "—Change of Modes" and "—Mandatory Purchase of Bonds" herein.

Principal of and premium, if any, and interest on the Bonds will be paid to Cede & Co. by wire transfer, subject to certain exceptions described herein.

PRICE 100%

The Bonds are special, limited obligations of the Authority, with a claim for payment solely from Revenues as defined in the Indenture under which the Bonds are issued (including payments under the Loan Agreement with the Company and under the Company's First Mortgage Bond). The Bonds do not have a claim for payment from any other funds of the Authority. The Bonds are not an obligation of the State of Illinois, and have no claim for payment from any State of Illinois appropriation or from any taxes.

The Bonds are offered, subject to prior sale, when, as and if issued and accepted by the Underwriters subject to the delivery of an approving legal opinion by Foley & Lardner LLP, Bond Counsel, in substantially the form attached as Appendix C and certain other conditions. Certain legal matters will be passed upon for the Company by Sidley Austin LLP, Chicago, Illinois; for the Authority by Kevin M. Cahill, Esq., Chicago Illinois; for the Underwriters by Winston & Strawn LLP, Chicago, Illinois; and for SunTrust Bank by King & Spalding LLP, Atlanta, Georgia. It is expected that delivery of the Bonds will be made on or about June 27, 2008 through the facilities of DTC.

Banc of America Securities LLC
Loop Capital Markets, LLC

This Official Statement is dated June 20, 2008 and the information contained herein speaks only as of that date.

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No broker, dealer, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offering made hereby and, if given or made, such information or representations must not be relied upon as having been authorized by the Illinois Finance Authority (the *"Authority"*), Commonwealth Edison Company (the *"Company"*), SunTrust Bank or Banc of America Securities LLC or Loop Capital Markets, LLC (the *"Underwriters"*). Neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority or the Company since the date hereof. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. The Authority neither has nor assumes any responsibility as to the accuracy or completeness of the information in this Official Statement, other than that relating to the Authority under the captions "THE AUTHORITY" and "LITIGATION — The Authority."

In connection with the offering, the Underwriters may overallot or effect transactions which stabilize or maintain the market price of the securities offered hereby at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

These securities have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission nor has the Securities and Exchange Commission or any state commission passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

Certain state securities regulations require that offering circulars for state and local government bonds set forth detailed information about any bonds of the Authority which are in default (whether or not the default relates to the bonds being sold). Information which is believed not to be material may, nevertheless, be deleted if the reason for the deletion is set forth in the offering circular. The Authority believes that certain bonds issued by it for the benefit of private corporations have been or may be in default. Further information regarding such defaulted bonds is available through the trustee for such bonds. However, the Authority believes that such information is not material to the sale of the Bonds, because the Bonds are payable from amounts received from the Company under the Loan Agreement and the First Mortgage Bond pledged under the Loan Agreement, and none of such defaults involves the Company.

OFFICIAL STATEMENT

$49,830,000

ILLINOIS FINANCE AUTHORITY

POLLUTION CONTROL REVENUE REFUNDING BONDS

(COMMONWEALTH EDISON COMPANY PROJECT)

SERIES 2008E

INTRODUCTORY STATEMENT

This Official Statement of the Illinois Finance Authority (the "*Authority*"), including the Appendices hereto and the documents incorporated by reference herein (the *"Official Statement"*), is provided to furnish certain information in connection with the sale of its Pollution Control Revenue Refunding Bonds (Commonwealth Edison Company Project) Series 2008E in the aggregate principal amount of $49,830,000 due May 1, 2021 (the *"Bonds"*). The Bonds will be issued pursuant to a Bond Indenture, dated as of June 1, 2008 (the *"Indenture"*), between the Authority and The Bank of New York Trust Company, N.A., Chicago, Illinois, as trustee (the *"Trustee"*). Terms not otherwise defined in this Official Statement shall have the respective meanings given to them in the Indenture.

The proceeds from the sale of the Bonds will be loaned by the Authority to Commonwealth Edison Company (the *"Company"*) pursuant to a Loan Agreement, dated as of June 1, 2008 (the "*Loan Agreement*"), between the Authority and the Company, to provide a portion of the funds necessary to redeem a portion of the Pollution Control Revenue Refunding Bonds (Commonwealth Edison Company Project) Series 2003, 2003B, and 2003D originally issued by the Illinois Development Finance Authority ("*IDFA*") in the aggregate principal amounts of $40,000,000, $42,200,000 and $19,975,000, respectively, and all of which are currently outstanding (the *"Prior Bonds"*). The Series 2003B and Series 2003D bonds refinanced other bonds issued through IDFA; and those bonds, along with the Series 2003 bonds refinanced bonds issued in 1977 by the Illinois Industrial Pollution Control Financing Authority, bonds issued in 1979 and 1983 by the Illinois Environmental Facilities Financing Authority, and bonds issued in 1984 by IDFA (the bonds issued in 1977, 1979, 1983 and 1984 are referred to as the "Original Bonds"), which financed the cost of certain pollution control and solid waste disposal facilities located in the State of Illinois (collectively, the *"Project"*). See "THE PROJECT" below in this Official Statement.

Pursuant to the Loan Agreement, the Authority will loan the proceeds from the sale of the Bonds to the Company and the Company will pledge as collateral security for such loan a series of its first mortgage bonds (the "*First Mortgage Bond*"). The First Mortgage Bond so pledged will be issued in an aggregate principal amount, with interest payments due, interest payment dates, maturity date and terms and provisions corresponding to the aggregate principal amount, interest payments, interest payment dates, maturity date and terms and provisions of the Bonds. The First Mortgage Bond in turn will be pledged by the Authority to the Trustee to secure repayment of the Bonds. The First Mortgage Bond will be issued under and secured by the Company's Mortgage, dated July 1, 1923, under which BNY Midwest Trust Company (the "*Mortgage Trustee*") and D.G. Donovan are now the trustee and the co-trustee, respectively, as amended and supplemented by a Supplemental Indenture, dated August 1, 1944, and subsequent supplemental indentures, and as to be further supplemented by a Supplemental Indenture, dated as of June 12, 2008 (the "*Supplemental Indenture*"), creating the First Mortgage Bond. The Company's Mortgage, as so supplemented and amended, is hereinafter referred to as the "*Mortgage*."

As holder of the First Mortgage Bond, the Trustee will, ratably with the holders of all other first mortgage bonds outstanding under the Mortgage, enjoy the benefit of a lien on substantially all of the property of the

Company. See "THE FIRST MORTGAGE BOND AND THE MORTGAGE—Security" for a description of the properties of the Company that are subject to the lien of the Mortgage. The Bonds will not be secured by a mortgage of, or security interest in, the Project. The First Mortgage Bond will be registered in the name of, and held by, the Trustee for the benefit of the registered owners of the Bonds (the "*Owners*") and will not be transferable except to a successor trustee under the Indenture.

Concurrently with the issuance of the Bonds, the Company will cause to be delivered to the Trustee an irrevocable letter of credit (the "*Letter of Credit*") issued by SunTrust Bank (the "*Credit Facility Provider*"), initially in the amount of $50,698,271. Under the Letter of Credit, the Trustee will be permitted to draw up to:

- an amount sufficient to pay the principal of the Bonds when due at maturity, upon redemption or upon acceleration, or the portion of the purchase price of Bonds tendered to the Trustee and not remarketed equal to the principal amount of such Bonds, plus

- an amount up to 53 days' interest accrued on the bonds (while bearing interest in the Daily Mode or Weekly Mode) computed at a maximum rate of 12% per annum.

The expiration date of the Letter of Credit is June 27, 2009, unless extended as provided under "THE LETTER OF CREDIT AND THE CREDIT FACILITY." The Letter of Credit may be replaced by a substitute credit facility prior to its expiration date as described under "THE LETTER OF CREDIT AND THE CREDIT FACILITY." If the Letter of Credit expires or is replaced by a substitute credit facility, the Bonds will be subject to mandatory tender for purchase, as described under "THE BONDS." The Letter of Credit will be issued pursuant to a Letter of Credit and Reimbursement Agreement dated as of May 9, 2008, as amended, among the Company, the financial institutions party thereto (including the Credit Facility Provider) and Barclays Bank plc, as Administrative Agent (the "*Administrative Agent*"). As used herein, the term "Letter of Credit" shall mean the initial Letter of Credit or any substitute credit facility delivered pursuant to the Indenture, the term "Credit Facility Provider" shall mean the issuer of the Letter of Credit then in effect and the term "Credit Facility" shall mean the agreement pursuant to which the Letter of Credit then in effect is issued, in each case unless the context clearly otherwise requires.

The Bonds are special, limited obligations of the Authority, with a claim for payment solely from Revenues as defined in the Indenture under which the Bonds are issued (including certain payments under the Loan Agreement with the Company and under the Company's First Mortgage Bond). The Bonds do not have a claim for payment from any other funds of the Authority. The Bonds are not an obligation of the State of Illinois, and have no claim for payment from any State of Illinois appropriation or from any taxes.

As originally issued, the Bonds will bear interest at the Weekly Rate in the Weekly Mode. See "THE BONDS." The interest rate on the Bonds can be converted from the Weekly Mode to an interest rate calculated on one of several other rate bases, following mandatory tender for purchase (without any right to retain) upon not less than five business days prior written notice to the Bondholders, in the case of a conversion to any Mode other than the Fixed Rate Mode, and upon not less than fifteen days prior written notice to the Bondholders, in the case of a conversion to the Fixed Rate Mode. See "THE BONDS—Interest on the Bonds" and "—Change in Modes."

The payments required to be made by the Company pursuant to the Loan Agreement are designed to be sufficient to enable the Authority to pay when due and payable the principal or purchase price of and premium, if any, and interest on the Bonds.

Brief descriptions of the Authority, the Bonds, the Letter of Credit, the Credit Facility, the Mortgage, the First Mortgage Bond, the Loan Agreement, the Indenture, the Continuing Disclosure Agreement and certain other documents are included in this Official Statement. Information regarding the business, properties and financial condition of the Company is included in, and incorporated by reference into, Appendix A. Information regarding the Credit Facility Provider is included in, and incorporated by reference into, Appendix B. The form of approving opinion of Bond Counsel is included in Appendix C. The descriptions herein of any of the foregoing agreements are qualified in their entirety by reference to such documents, and the description herein of the Bonds is qualified in its entirety by reference to the form thereof and the information with respect thereto included in the Indenture. Copies of such documents may be obtained from the corporate trust office of the Trustee in Chicago, Illinois. All such descriptions are further qualified in their entirety by reference to bankruptcy laws affecting the remedies for the enforcement of the rights and security provided in such documents and to laws and principles of equity relating to or affecting generally the enforcement of creditors' rights.

THE AUTHORITY

Description of the Authority

The Authority is a body politic and corporate of the State of Illinois. The Authority was created under the Illinois Finance Authority Act (the *"Act"*), which consolidated seven of the State's previously existing financing authorities (the *"Predecessor Authorities"*). All bonds, notes or other evidence of indebtedness of the Predecessor Authorities were assumed by the Authority effective January 1, 2004. Under the Act, the Authority may not have outstanding at any one time bonds for any of its corporate purposes in an aggregate principal amount exceeding $26,650,000,000, excluding bonds issued to refund the bonds of the Authority or bonds of the Predecessor Authorities. Pursuant to the Act, the Authority is governed by a 15-member board appointed by the Governor of the State of Illinois with the advice and consent of the State Senate. The members receive no compensation for the performance of their duties but are entitled to reimbursement for all necessary expenses incurred in connection with the performance of such duties.

Bonds of the Authority

The Authority may from time to time issue bonds as provided in the Act for the purposes set forth in the Act. Any bonds issued by the Authority (and any interest thereon) shall not be or become an indebtedness or obligation, general or moral, of the State of Illinois or any political subdivision thereof nor be or become a pledge of the full faith and credit of the State of Illinois or any political subdivision thereof, other than the Issuer. The Bonds of the Authority as described herein are limited obligations of the Authority payable solely from the specific sources and revenues of the Authority specified in the Indenture authorizing the issuance of such Bonds. No Owner of any Bond shall have the right to compel any taxing power of the State of Illinois or any political subdivision thereof to pay the principal of, premium, if any or interest on the Bonds, and the Authority has no taxing power.

The Authority makes no warranty with respect to the Project or the use thereof. Further, the Authority has not prepared any material for inclusion in this Official Statement, except for the material under the headings "THE AUTHORITY" and "LITIGATION – The Authority". The distribution of this Official Statement has been duly approved and authorized by the Authority. Such approval and authorization does not, however, constitute a representation or approval by the Authority of the accuracy or sufficiency of any information contained herein except to the extent of the material under the headings referenced in this paragraph.

The offices of the Authority are located at Two Prudential Plaza, 180 N. Stetson, Suite 2555, Chicago, Illinois 60601, and its telephone number is (312) 651-1300.

Illinois Environmental Facilities Financing Act

The Bonds are being issued pursuant to the Illinois Environmental Facilities Financing Act (the "Environmental Act"). Pursuant to the Environmental Act, the Authority may issue bonds for qualifying environmental facilities. Under the Environmental Act, the Authority may not have outstanding at any one time bonds issued pursuant to the Environmental Act in an aggregate principal amount exceeding $2,500,000,000.

Authority Advisors

D.A. Davidson & Co. and Scott Balice Strategies, LLC serve as co-senior financial advisers to the Authority. Additionally, certain legal matters with respect to the Bonds will be passed upon for the Authority by its special counsel, Kevin M. Cahill, Esq., Chicago, Illinois.

THE PROJECT

The facilities refinanced with the proceeds of the Prior Bonds were located at the following electric generating plants located in the State of Illinois and owned by the Company at the time of the issuance of the Original Bonds: Braidwood Station, Byron Station, Dresden Station, LaSalle County Station, and Quad Cities Station. Such facilities included facilities for pollution control and sewage and solid waste disposal, together with certain miscellaneous facilities functionally related and subordinate thereto.

THE COMPANY

See Appendix A to this Official Statement for a discussion of the Company and certain documents incorporated by reference therein.

THE BONDS

The following is a summary of certain provisions of the Bonds. Reference is made to the Indenture and the form of Bond included therein for the detailed provisions of the Bonds.

General

The Bonds will be dated as of the date of the initial authentication and delivery thereof and will mature, subject to prior redemption, on the date set forth on the cover of this Official Statement. The Bonds will be issued as fully registered Bonds without coupons initially in authorized denominations of $100,000 or any integral multiple of $5,000 in excess thereof.

The Authority has established a book-entry-only system of registration for the Bonds (the "*Book-Entry System*"). Except as otherwise provided in the Indenture, The Depository Trust Company, New York, New York, or its successor as securities depository (the "*Securities Depository*") (or its nominee) will be the registered owner of the Bonds. By acceptance of a confirmation of purchase, delivery or transfer, each beneficial owner (a "*Beneficial Owner*") of an interest in the Bonds will be deemed to have consented to the Book-Entry System. The Securities Depository (or its nominee), as registered owner of the Bonds, will be the registered owner or holder of the Bonds for all purposes of the Indenture. The laws of some states may require that certain purchasers of securities take physical delivery of such securities in definitive form. Such laws may impair the ability to transfer beneficial interests in a Bond.

Interest on the Bonds

Until converted to a different interest rate basis, or Mode, permitted under the Indenture, the Bonds will bear interest at the Weekly Rate in the Weekly Mode. The permitted Modes are: the "Daily Mode," the "Weekly Mode," the "Commercial Paper Mode," the "Indexed Mode," the "Term Rate Mode" and the "Fixed Rate Mode;" and the corresponding interest rates are the "Daily Rate," the "Weekly Rate," the "Commercial Paper Rate," the "Indexed Rate," the "Term Rate" and the "Fixed Rate." See "—Interest Rate Modes." The interest rate and, if applicable, the interest periods during the Commercial Paper Mode and the Indexed Mode will be determined by the Remarketing Agent; provided that the interest rate on the Bonds (other than Credit Facility Bonds) shall not exceed the lowest of 12% per annum, the maximum rate specified in any Credit Facility related to the Bonds and the maximum interest rate permitted by law. The interest rate Mode for the Bonds is subject to change to a different Mode from time to time as hereinafter described. See "—Change of Modes."

Interest on the Bonds is calculated under differing conventions as to the passage of time, depending upon the Mode, as described below:

- In a Daily Mode, a Weekly Mode, a Commercial Paper Mode, a SIFMA-based Indexed Mode and a Term Rate Mode of 360 days or less, interest is computed on the basis of a year of 365 or 366 days, as appropriate, for the actual number of days elapsed.

- In a Term Rate Mode for more than 360 days and a Fixed Rate Mode, interest is computed on the basis of a 360-day year of twelve 30-day months.

- In all Indexed Modes other than a SIFMA-based Indexed Mode, interest is computed on the basis of a 360-day year for the number of days actually elapsed.

Interest on the Bonds in each Mode accrues at the rate determined on the Rate Determination Date during the Interest Period(s), and is payable on the Interest Payment Date(s) to the registered owners of the Bonds on the applicable Record Date(s), as indicated in the table below:

Mode	**Rate Determination Date**	**Interest Period**	**Interest Payment Date**	**Record Date**
Daily	Each Business Day commencing with the first day the Bonds become subject to the Daily Mode	Commences on a Business Day and extends to, but does not include, the next succeeding Business Day	First Business Day of each month	Business Day immediately preceding the Interest Payment Date
Weekly	Upon initial conversion to the Weekly Mode, a Business Day no later than the Mode Change Date; thereafter, each Wednesday or, if Wednesday is not a Business Day, the next Business Day after such Wednesday	Commences on the first day Bonds begin to accrue interest in Weekly Mode and ends on the next succeeding Tuesday; thereafter, commences on each Wednesday and ends on Tuesday of following week	First Business Day of each month	Business Day immediately preceding the Interest Payment Date
Commercial Paper	First day of an Interest Period, which must be a Business Day	Established by Remarketing Agent with a duration of from one to 270 calendar days	Business Day immediately following the end of an Interest Period having a duration of 180 days or less; and otherwise, each March 1 and September 1 prior to the end of the selected Interest Period and the Business Day immediately following the end of such Interest Period	Business Day immediately preceding the Interest Payment Date
Indexed	Date determined by the Remarketing Agent which shall be a Business Day at least one Business Day prior to the Mode Change Date	Commences on the first day Bonds begin to accrue interest in the Indexed Mode and ends on calendar day prior to the end of the specified period during which the Bonds bear interest at the Indexed Rate	Established by Remarketing Agent	15th calendar day of the month immediately preceding each Interest Payment Date

Mode	Rate Determination Date	Interest Period	Interest Payment Date	Record Date
Term Rate	A Business Day no earlier than 30 Business Days and no later than the Business Day immediately preceding the first day of an Interest Period	Commences on the first day Bonds begin to accrue interest in the Term Rate Mode and ends on last calendar day of selected Interest Period, which Interest Period shall be not less than 270 days	Each March 1 and September 1 prior to the end of the selected Interest Period and the Business Day immediately following the end of such Interest Period	15th calendar day of the month immediately preceding each Interest Payment Date
Fixed Rate	Date determined by the Remarketing Agent which shall be a Business Day at least one Business Day prior to the Mode Change Date	Commences on the first day Bonds begin to accrue interest in the Fixed Rate Mode and ends on calendar day prior to the final maturity date of the Bonds	Each March 1 and September 1 prior to the Maturity Date and on the Maturity Date	15th calendar day of the month immediately preceding each Interest Payment Date

So long as the Bonds are held in the Book-Entry System, the principal or redemption price of, interest on and purchase price of the Bonds will be paid in immediately available funds through the facilities of the Securities Depository. Otherwise, the principal or redemption price of the Bonds shall be payable by check in lawful money of the United States of America at the Principal Corporate Trust Office of the Trustee. Interest on the Bonds shall be paid to the person whose name appears on the bond registration books of the Trustee as their Holder as of the close of business on the Record Date for each Interest Payment Date. Payment of the interest on (i) any Bonds in a Daily Mode, a Weekly Mode, an Indexed Mode or a Term Rate Mode or any Bond in a Commercial Paper Mode shall be made by wire transfer in immediately available funds to an account within the United States of America designated by such Holder and (ii) any Bonds in a Term Rate Mode or a Fixed Rate Mode shall be made by check mailed by first class mail to such Holder at its address as it appears on such registration books, or, upon the written request of any Holder of at least $1,000,000 in aggregate principal amount of Bonds, submitted to the Trustee at least one Business Day prior to the Record Date, by wire transfer in immediately available funds to an account within the United States of America designated by such Holder. CUSIP number identification shall accompany all payments of principal or redemption price and interest whether by check or by wire transfer.

The Bonds are issuable only as fully registered Bonds in the following authorized denominations:

- in a Daily Mode, a Weekly Mode, a Commercial Paper Mode or a Term Rate Mode of 360 days or less, $100,000 and integral multiples of $5,000 in excess thereof; and

- in an Indexed Mode, a Term Rate Mode of more than 360 days or a Fixed Rate Mode, $5,000 and any integral multiple thereof.

If the Book-Entry System is discontinued and the Bonds are issued in certificated form, the Bonds may be transferred or exchanged for an equal aggregate principal amount of Bonds of other authorized denominations upon surrender of such Bonds at the office of the Trustee designated for such transfer or exchange, which is located at 111 Sanders Creek Parkway, East Syracuse, New York 13057, Attention Corporate Trust Operations Window (or such other address as the Trustee may designate to the Trustee), duly endorsed for transfer or accompanied by a written instrument of transfer or authorization for exchange, executed by the Holder or the Holder's duly authorized attorney. Except as provided in the Indenture, the Trustee will not be required to register the transfer or exchange of (i) any Bond during the 15 days immediately preceding (a) the date on which notice of redemption of bonds is given or (b) the date on which Bonds will be selected for redemption, or (ii) any Bond with respect to which the Holder has submitted a demand for purchase as described below under "THE BONDS – Purchase of Bonds on Demand of Owner." Registration of transfers and exchanges shall be made without charge to the Holders, except that the

Authority may require the Owner requesting registration of transfer or exchange to pay any required tax or governmental charge that may be imposed in relation to such transfers or exchanges.

The Bank of New York Trust Company, N.A. also has been appointed as Tender Agent under the Indenture. SunTrust Robinson Humphrey, Inc. has been appointed as Remarketing Agent for the Bonds (the "*Remarketing Agent*"). The Remarketing Agent may be removed by the Company in accordance with the Remarketing Agreement dated the date of issuance of the Bonds (the "*Remarketing Agreement*") between the Remarketing Agent and the Company. The Remarketing Agent may resign upon 30 days' notice to the Company in accordance with the Remarketing Agreement.

Certain Definitions

Each of the following terms shall have the meaning indicated:

"*Additional Payments*" means the payments so designated and required to be made by the Company pursuant to the Loan Agreement.

"*Administrative Fees and Expenses*" means any application, commitment, financing or similar fee charged, or reimbursement for administrative or other expenses incurred, by the Authority or the Trustee.

"*Bondholder*" or "*Holder*" means, with respect to a Bond, the person in whose name such Bond is registered.

"*Business Day*" means (i) a day that is not a Saturday, Sunday or legal holiday on which banking institutions in the State of Illinois, the State of New York or in any state in which the office of any Credit Facility Provider, any Remarketing Agent, any Tender Agent, or the Trustee is located are authorized to remain closed or (ii) a day on which the New York Stock Exchange is closed.

"*Code*" means the Internal Revenue Code of 1954, as amended, to the extent applicable in any instrument, and otherwise the Internal Revenue Code of 1986, as amended, or any successor statute to it, and any regulations promulgated under it.

"*Credit Facility*" means a letter of credit, including, if applicable, a confirming letter of credit, bond insurance policy or similar credit facility issued by a commercial bank, savings institution, insurer or other financial institution which, by its terms, shall secure the payment of the principal of and interest on Bonds when due, delivered to the Trustee pursuant to the Loan Agreement, including a Substitute Credit Facility. Initially the Credit Facility is a Letter of Credit, provided by SunTrust Bank. While Bonds are in a Daily Mode or a Weekly Mode, the Credit Facility shall also provide for the payment of the Purchase Price of Bonds tendered and not remarketed, unless the Indenture is amended to provide for a separate liquidity facility. Unless the context requires otherwise with reference to a specific letter of credit, the term Credit Facility shall mean, to the extent applicable, the Reimbursement Agreement pursuant to which such letter of credit was issued.

"*Credit Facility Bonds*" means Bonds that have been purchased with the proceeds of a drawing under the Credit Facility and have not been remarketed and are either pledged (or required to be pledged) by the Company to the Credit Facility Provider or, if directed by the Credit Facility Provider to the Trustee, owned by the Credit Facility Provider to secure obligations of the Company under the Credit Facility.

"*Credit Facility Provider*" means the commercial bank, savings institution, insurer or other financial institution issuing a Credit Facility. In the case of a Credit Facility that is, or involves the issuance of a letter of credit, the term Credit Facility Provider shall mean the administrative agent appointed pursuant to the reimbursement agreement to act on behalf of the financial institutions having a risk participation in such Credit Facility issued pursuant to such reimbursement agreement, unless the context in which the term Credit Facility is used herein contemplates a reference to the institution that has issued a specific letter of credit.

"*Favorable Opinion of Bond Counsel*" means, with respect to any action the occurrence of which requires such an opinion, an unqualified opinion of counsel (which shall be legal counsel of recognized national standing in the field of obligations the interest on which is excluded from gross income for federal income tax purposes, selected by the Company and not objected to by the Trustee or the Credit Facility Provider (if any)) to the effect that such action is not prohibited by the Indenture and will not, in and of itself, adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes (subject to the inclusion of any exceptions contained in the opinion delivered upon original issuance of the Bonds). In situations where a Favorable Opinion of Bond Counsel, or an Opinion of Counsel to be delivered by Bond Counsel, is required or requested to be delivered under the Indenture or the Loan Agreement after the date of delivery of the Bonds, the Trustee shall accept (unless otherwise directed by the Authority) an opinion in such form and with such disclosures as may be required so that such opinion will not be treated as a "covered opinion" for purposes of the United States Treasury Department regulations governing practice before the Internal Revenue Service (Circular 230), 31 CFR Part 10.

"*LIBOR*" means the London Interbank Offered Rate for deposits in U.S. dollars with a maturity equal to or that most closely approximates the length of the Interest Period for which the LIBOR rate is utilized and that appears on Reuters Screen LIBOR 01 Page (or such other page as may replace that page on that service, or such other service as may be nominated by the British Bankers Association, for the purpose of displaying London Interbank Offered Rates for U.S. dollar deposits) as of 11:00 a.m., London time, on the Rate Determination Date.

"*Maximum Rate*" means the lower of (i) 12% per year, and (ii) the maximum rate, if any, specified in the then applicable Credit Facility; but, in any case, not more than the maximum interest rate permitted by law.

"*Mode*" means the Daily Mode, the Weekly Mode, the Commercial Paper Mode, the Indexed Mode, the Term Rate Mode or the Fixed Rate Mode.

"*Mode Change Date*" means, with respect to any Bonds, the day following the last day of one Mode for such Bonds on which another Mode begins.

"*Purchase Date*" means, with respect to Bonds:

- during the Commercial Paper Mode and the Term Rate Mode, the Business Day determined by the Remarketing Agent on the most recent Rate Determination Date as the date on which such Bonds shall be subject to purchase, and

- during the Daily Mode or the Weekly Mode, any Business Day, in each case selected by the Holder of such Bonds pursuant to the Indenture.

"*Purchase Price*" means:

- an amount equal to the principal amount of any Bonds purchased on any Purchase Date, plus, in the case of any purchase of Bonds in the Daily Mode or the Weekly Mode, accrued interest on them, if any, to the Purchase Date, or

- an amount equal to the principal amount of any Bonds purchased on a Mandatory Purchase Date, plus accrued interest on them, if any, to the Mandatory Purchase Date.

"*SIFMA Municipal Swap Index*" means the Securities Industry and Financial Markets Association (formerly The Bond Market Association™), Municipal Swap Index as disseminated by Municipal Market Data, a Thomson Financial Services Company, or its successor, for the most recently preceding Business Day.

Interest Rate Modes

Daily Mode. In the Daily Mode, the interest rate on the Bonds for any Business Day shall be the rate established by the Remarketing Agent for the Bonds no later than 10:00 a.m. (New York City time) on each Business Day, as the minimum rate of interest which, in the judgment of such Remarketing Agent under then-existing market conditions, would result in the sale of such Bonds on such Business Day at a price equal to the principal amount thereof, plus accrued interest, if any, thereon. For any day which is not a Business Day, the interest rate on the Bonds shall be the interest rate in effect for the immediately preceding Business Day. In the event that the Daily Rate is not determined by the Remarketing Agent for any reason on any Business Day, the interest rate on the Bonds shall equal the lesser of the Maximum Rate and the SIFMA Municipal Swap Index on the Business Day immediately preceding such Business Day.

Weekly Mode. In the Weekly Mode, the interest rate on the Bonds for a given Interest Period shall be the rate established by the Remarketing Agent no later than 10:00 a.m. (New York City time) on each Rate Determination Date, as the minimum rate of interest which, in the judgment of such Remarketing Agent under then-existing market conditions, would result in the sale of such Bonds on such Rate Determination Date at a price equal to the principal amount thereof, plus accrued interest, if any, thereon. In the event that an interest rate is not determined by the Remarketing Agent for any reason for any Interest Period, the interest rate for such Interest Period shall equal the lesser of the Maximum Rate and the SIFMA Municipal Swap Index on the Business Day immediately preceding the first day of such Interest Period.

Commercial Paper Mode. In the Commercial Paper Mode, Interest Periods are established by the Remarketing Agent as a period from one to 270 calendar days in length (a "*Commercial Paper Rate Period*"), but must begin on a Business Day and end on a day immediately preceding a Business Day or Maturity Date. The Commercial Paper Rate for each Commercial Paper Rate Period shall be effective from and including the commencement date of such period to and including the last day thereof. Each Commercial Paper Rate and Commercial Paper Rate Period shall be determined by the Remarketing Agent for the Bonds in connection with the sale of the Bond or Bonds to which it relates. Each Commercial Paper Rate and Commercial Paper Rate Period shall be determined by the Remarketing Agent for each Bond at or prior to 11:30 a.m. (New York City time) on the first day of each Commercial Paper Rate Period with respect to such Bond so as to result in the Remarketing Agent being able to remarket such Bond at par in the secondary market representing the lowest interest rate then available and for the longest Interest Period available at such rate as the Remarketing Agent deems to be advisable under current or anticipated future market conditions or anticipated future events.

If the Remarketing Agent fails to set the length of a Commercial Paper Rate Period for any Bond (other than a Credit Facility Bond) for any reason or the Commercial Paper Rate, the Commercial Paper Rate Period for such Bond shall be from and including the Rate Determination Date to, but not including, the next succeeding Business Day, and subsequently shall commence on a Business Day and extend to, but shall not include, the next Business Day; and the interest rate for such Commercial Paper Rate Period shall equal to the lesser of the Maximum Rate and the SIFMA Municipal Swap Index on the Business Day immediately preceding the first day of such Commercial Paper Rate Period and for Interest Periods of greater than 30 days an annual rate equal to 85% of the highest quoted yield on United States Government Obligations – State and Local Government Series, with a maturity equal to the length of the Interest Period for which such interest rate is calculated, as most recently published prior to the date of determination in Form PD4262, Department of Treasury, Bureau of Public Debt.

Term Rate Mode. In the Term Rate Mode, the interest rate on the Bonds shall be the minimum rate which, in the judgment of the Remarketing Agent, will result in a sale of the Bonds at a price equal to the Purchase Price on the Rate Determination Date for the Interest Period selected by the Company, which shall not be less than 270 days. The Remarketing Agent shall also determine the Purchase Date as the day following the last day of the Interest Period so selected by the Company. The Term Rate shall be determined by the Remarketing Agent not later than 4:00 p.m. (New York City time) on the Rate Determination Date. If a new Interest Period is not selected by the Company prior to the Business Day next preceding the Purchase Date for the Interest Period then in effect, the Mode shall change from the Term Rate Mode to the Weekly Mode so long as a Favorable Opinion of Bond Counsel is delivered to the Trustee. In the event that an interest rate is not determined by the Remarketing Agent for any reason for any Interest Period, the interest rate for such Interest Period shall equal to the lesser of the Maximum Rate and 85% of LIBOR with a maturity equal to the length of such Interest Period.

Indexed Mode. The Company may, with the consent of the Credit Facility Provider (if any), cause the Mode to be changed so that the Bonds will bear interest at the Indexed Rate until the end of the term specified by the Company not to exceed the Maturity Date of the Bonds. Prior to any conversion to the Indexed Mode, the Authority shall enter into a Supplemental Indenture setting forth the index, the spread, the redemption provisions, the term and what will happen if there is a failure to remarket at the end of the term. The Company shall select the index on which the Indexed Rate shall be based not less than five Business Days prior to the Rate Determination Date. Such index may be the LIBOR, SIFMA Municipal Swap Index or any other index which the Company, in consultation with the Remarketing Agent, deems appropriate. The Remarketing Agent shall determine the percentage and/or the spread to be used in calculating the Indexed Rate not later than 4:00 p.m. (New York City time) on the Rate Determination Date. The percentage shall be the lowest percent which, when multiplied by the index, in the reasonable judgment of the Remarketing Agent and the written consent of the Company, the Remarketing Agent determines will result in selling the Bonds at a price equal to the Purchase Price on the Mode Change Date. At the time the Remarketing Agent determines the percentage by which the index is multiplied, the Remarketing Agent shall also determine the interest rate for the initial Interest Payment Period from the Mode Change Date to the first Interest Payment Date in the Indexed Mode, the frequency with which the Indexed Rate shall be recalculated, the Interest Payment Periods and the Interest Payment Dates.

Fixed Rate Mode. The Company may, with the consent of the Credit Facility Provider (if any), cause the Mode to be changed so that the Bonds will bear interest at a Fixed Rate to their final Maturity Date unless, on the date the Remarketing Agent determines the Fixed Rate, the Remarketing Agent also determines that the Bonds would bear a lower effective net interest cost if such Bonds were serial bonds or serial bonds and term bonds, in which event the Bonds shall become serial bonds or serial bonds and term bonds and shall bear separate Fixed Rates for each maturity. The Remarketing Agent shall determine the Fixed Rate not later than 4:00 p.m. (New York City time) on the Rate Determination Date. The Fixed Rate shall be the minimum interest rate which, in the judgment of the Remarketing Agent, will result in a sale of the Bonds at a price equal to the Purchase Price on the Purchase Date of the Bonds being converted to a Fixed Rate unless, in the judgment of the Remarketing Agent and with the written consent of the Company, the Remarketing Agent determines that the lowest yield will result by selling the Bonds at a price equal to the Purchase Price (plus any original issue premium or less any original issue discount) on the Mode Change Date. In the case of Bonds to be sold at a discount, either (A) a Credit Facility is in effect with respect to such Bonds and provides for the purchase of such Bonds at such discount or (B) the Company agrees to transfer to the Tender Agent on the Mode Change Date, in immediately available funds, for deposit in the Borrower Purchase Account, an amount equal to such discount. In the case of Bonds sold at a premium, the premium shall be transferred to the Company on the Mode Change Date.

Change of Modes

Changes to Modes Other than Fixed Rate Mode. The interest rate Mode for the Bonds (other than Bonds in the Fixed Rate Mode) may be changed to a different Mode from time to time in whole and not in part by the Company. The Company may exercise that right by giving written notice to the Authority, the Trustee, Tender Agent (if any), the Remarketing Agent (if any) and the Credit Provider (if any) no later than the fifth Business Day preceding the proposed Mode Change Date. Such notice must specify the new Mode and, if the change is to a Term Rate Mode, the length of the initial Interest Period.

No change in Mode may be made:

- unless the Mode Change Date is a Business Day
- if the change is from the Commercial Paper Mode, the Mode Change Date shall be a day which is the last Purchase Date for all Interest Periods then in effect
- if the change is from the Term Rate Mode, the Mode Change Date shall be the Purchase Date for the current Interest Period
- unless there has been delivered to the Trustee, the Tender Agent (if any) and the Remarketing Agent (if any) on the Mode Change Date a Favorable Opinion of Bond Counsel
- if the current Mode is the Commercial Paper Mode, no Interest Period set after delivery by the Company to the Remarketing Agent of the notice of intention to effect a change in Mode shall extend beyond the proposed Mode Change Date

- if there shall be no Credit Facility in effect to provide funds for the purchase of Bonds on the Mode Change Date, the remarketing proceeds available on the Mode Change Date shall be not less than the amount required to purchase all of the Bonds at the Purchase Price (unless the Company, in its sole discretion, elects to transfer to the Tender Agent the amount of such deficiency on or before the Mode Change Date)

The Company may revoke its election to effect a change of the interest rate on the Bonds to another Mode by giving written notice of such revocation to the Authority, the Trustee, the Remarketing Agent (if any), the Credit Facility Provider (if any), and the Tender Agent at any time prior to 10:00 a.m. (New York City time) on the Business Day immediately preceding the Rate Determination Date for the proposed Mode Change Date.

If the conditions listed in the preceding paragraph have not been satisfied by the Mode Change Date, the change shall not take effect and (a) if the change was from a Commercial Paper Mode, the Bonds shall remain in the Commercial Paper Mode with interest rates and Interest Periods as described above under "THE BONDS – Interest Rate Modes – *Commercial Paper Mode*" and (b) otherwise, all Bonds shall be changed to a Daily Mode, as described above under "THE BONDS – Interest Rate Modes – *Daily Mode,*" so long as a Favorable Opinion of Bond Counsel is delivered to the Trustee with respect to that Mode Change, otherwise the then applicable Mode will remain in effect and if the Current Mode is the Term Rate Mode, the Term Rate Period, if not set by the Company, shall be the same length as the then current Term Rate Period.

Change to Fixed Rate Mode. The interest rate Mode for the Bonds may be changed to the Fixed Rate Mode by the Company. The Company may exercise that right by giving written notice to the Authority, the Trustee, Tender Agent (if any), the Remarketing Agent (if any), the Credit Provider (if any) and each Rating Agency then rating the Bonds no later than the fifteenth day (or such shorter period as may be agreed to by the Trustee and the Remarketing Agent (if any)) preceding the proposed Mode Change Date. Such notice shall state that the Mode will be changed to the Fixed Rate Mode and shall set forth the proposed Mode Change Date.

No change to the Fixed Rate Mode may be made unless:

- The Mode Change Date is: (i) in the case of a conversion from a Daily Mode or a Weekly Mode a regularly scheduled Interest Payment Date on which interest is payable for the Daily Mode or Weekly Mode from which the conversion is to be made; (ii) in the case of a conversion from the Term Rate Mode, a regularly scheduled Interest Payment Date on which a new Interest Period would otherwise have commenced; and (iii) in the case of a conversion from a Commercial Paper Mode, a day which is the last regularly scheduled Interest Payment Date on which interest is payable for any Interest Period previously established for the Bonds to be converted.

- Not less than seven Business Days prior to the date on which the Trustee is required to notify the Holders of the conversion pursuant to next bullet point below, the Company shall give written notice of the conversion to the Authority, the Trustee, the Remarketing Agent (if any), the Credit Facility Provider (if any), and the Tender Agent (if any) setting forth the proposed Mode Change Date. Together with such notice, the Company shall file with the Authority and the Trustee, a Favorable Opinion of Bond Counsel with respect to the conversion of the Bonds to the Fixed Rate Mode, including the assignment of new maturity dates and amortization requirements as described below under the third following bullet point. No conversion to the Fixed Rate Mode shall occur unless the Company shall also file with the Authority and the Trustee a Favorable Opinion of Bond Counsel to the same effect dated the Mode Change Date.

- In the event of a conversion from a Daily Mode, Weekly Mode, a Term Rate Mode or a Commercial Paper Mode, the Trustee shall mail a notice of the proposed conversion to the Holders of all Bonds to be converted not less than fifteen days prior to the proposed Mode Change Date. Such notice shall state that the Bonds to be converted shall be subject to mandatory tender at a price equal to 100% of the principal amount of the Bond plus accrued interest on the Mode Change Date. The principal portion of the purchase price of the Bonds so tendered shall be payable solely from the proceeds of the remarketing of such Bonds.

- Not later than 12:00 noon (New York City time) on the Business Day prior to the Mode Change Date, the Remarketing Agent shall determine the Fixed Rate Mode for the Bonds to be converted.

- Prior to the conversion of any of the Bonds to a Fixed Rate Mode, the Remarketing Agent shall deliver to the Trustee, the Authority and the Company a certificate that includes a schedule specifying the principal amount of Bonds to be converted to a Fixed Rate Mode which shall mature on March 1 of the Bond years specified in such schedule and the interest rate payable on the Bonds to be converted to a Fixed Rate Mode of each such maturity date and a schedule specifying the principal amount of Bonds to be converted to a Fixed Rate Mode maturing on March 1 of the Bond years specified in such schedule or to be called for mandatory redemption pursuant to the amortization requirements on March 1 of the Bond years specified in such schedule. In determining the maturity dates, amortization requirements and interest rates, the Remarketing Agent shall use the following guidelines:

  - The Remarketing Agent shall determine the schedule of principal payments on the Bonds to be converted to a Fixed Rate Mode to achieve annual level debt service with respect to the converted Bonds;

  - The Remarketing Agent shall allocate the Bonds to be converted to a Fixed Rate Mode between serial bonds and term bonds in such manner as shall produce the lowest aggregate interest payable with respect to such Bonds; and

  - The Remarketing Agent shall set the interest rate on each Bond to be converted to a Fixed Rate Mode of a particular maturity date at the lowest interest rate that shall enable such Bond, upon conversion, to be remarketed at par (plus any accrued interest) taking into account the maturity date of such Bond and amortization requirements with respect to the Bonds of such maturity date.

  Notwithstanding anything above to the contrary, if due to the serialization of the Bonds, Bond Counsel cannot render a Favorable Opinion of Bond Counsel, then no such serialization shall occur.

- The foregoing notwithstanding, the Authority may agree to another method for providing for payment of principal of the Bonds after the Mode Change Date if (i) the Remarketing Agent deems the utilization of such other method necessary in order to remarket the Bonds at a price of par and (ii) there is delivered to the Trustee and the Authority by the Company a Favorable Opinion of Bond Counsel with respect to the utilization of such other method.

The Company may revoke its election to effect a conversion of the interest rate on the Bonds to the Fixed Rate Mode by giving written notice of such revocation to the Authority, the Trustee, the Remarketing Agent (if any), the Credit Facility Provider (if any), and the Tender Agent (if any) at any time prior to 10:00 a.m. New York City time on the Business Day immediately preceding the Rate Determination Date for the proposed Mode Change Date.

If these conditions listed in the preceding paragraph have not been satisfied by the Mode Change Date, the New Mode shall not take effect and (a) if the change was from a Commercial Paper Mode, the Bonds shall remain in the Commercial Paper Mode with interest rates and Interest Periods as described above under "THE BONDS – Interest Rate Modes – *Commercial Paper Mode*" and (b) otherwise, all Bonds shall be changed to a Daily Mode, as described above under "THE BONDS – Interest Rate Modes – *Daily Mode,*" so long as a Favorable Opinion of Bond Counsel is delivered to the Trustee with respect to that Mode Change, otherwise the then applicable Mode will remain in effect and if the Current Mode is the Term Rate Mode, the Term Rate Period, if not set by the Company, shall be the same length as the then current Term Rate Period.

Purchase of Bonds on Demand of Owner

The Bonds are subject to purchase on demand of the Holders while bearing interest in the Daily Mode and the Weekly Mode, as described below. Bonds bearing interest in the other Modes are not subject to purchase on demand of the Holder.

During Daily Mode. In the Daily Mode, the Holders of any Bonds other than Credit Facility Bonds or Bonds owned by, or for the account of, or on behalf of, the Authority or the Company (those Bonds being referred to as "*Eligible Bonds*"), may demand purchase of their Bonds (or portion thereof in an amount not less than $100,000) on any Business Day during the Daily Mode at a purchase price equal to the principal amount thereof, plus accrued interest, if any, to the Purchase Date upon an irrevocable written notice of tender by Electronic Means to the Remarketing Agent and the Tender Agent not later than 11:00 a.m. (New York City time) on any Business Day.

During Weekly Mode. In the Weekly Mode, the Holders of Eligible Bonds may demand purchase of their Bonds (or portion thereof in an amount not less than $100,000) on any Business Day during the Weekly Mode at a purchase price equal to the principal amount thereof, plus accrued interest, if any, to the Purchase Date, upon an irrevocable written notice of tender by Electronic Means to the Remarketing Agent and the Tender Agent at or before 4:00 p.m. (New York City time) on a Business Day five Business Days prior to the Purchase Date.

Required Notice. A notice of tender must state (i) the CUSIP number, (ii) the principal amount (or portion thereof in an amount not less than $100,000) of the Bond to be purchased and, if the Book-Entry System is not in effect, the certificate number of such Bond and (iii) such Bond shall be purchased on the Purchase Date specified above. "*Electronic Means*" means telecopy, telegraph, telex, facsimile transmission, e-mail transmission or other similar electronic means of communication, including a telephonic communication confirmed by writing or written transmission.

Mandatory Purchase of Bonds

On Mode Change Date. The Bonds are subject to mandatory purchase at a purchase price equal to the principal amount thereof, plus accrued interest on a Mode Change Date.

On Expiration, Termination or Replacement of Credit Facility. The Bonds shall be subject to mandatory purchase at a purchase price equal to the principal amount thereof, plus accrued interest, if any, thereon to the Purchase Date, on:

- the second Business Day preceding the date of the expiration of the term of the then current Credit Facility, or the date on which the then current Credit Facility is to be replaced with a Substitute Credit Facility, respectively, as described under "THE LOAN AGREEMENT – Credit Facilities" herein; provided, however, that the Bonds shall not be subject to mandatory purchase on the second Business Day preceding the date of the expiration of the term of the then current Credit Facility if on or prior to the 15th day prior to such date, the Company has furnished to the Trustee an extension of the then current Credit Facility, or

- the date designated by the Trustee (which shall be at least one Business Day prior to the termination of the Credit Facility and no more than five Business Days after receipt by the Trustee of a notice of default or nonreinstatement (a "*Default Tender Date*") after the Trustee has received written notice from the Credit Facility Provider that an event of default has occurred and is continuing under the Reimbursement Agreement relating to such Credit Facility and/or that the Credit Facility Provider has determined it will not reinstate the amount available under the Credit Facility for interest payments upon payment of an interest drawing and directing a mandatory tender for the Bonds.

On Interest Payment Date for Commercial Paper Rate Period. In the Commercial Paper Rate Mode, each Bond shall be subject to mandatory purchase at a purchase price equal to the principal amount thereof, plus accrued but unpaid interest, on the Business Day after the end of each Commercial Paper Rate Period for such Bond.

On Final Interest Payment Date for a Term Rate Period. In the Term Rate Mode, the Bonds shall be subject to mandatory purchase at a purchase price equal to the principal amount thereof, plus accrued interest thereon through the last day of the Interest Period, on the Business Day immediately following the end of such Interest Period, for each Interest Period during the Term Rate Mode.

The Owners of the Bonds shall not have any right to retain Bonds subject to mandatory purchase.

Notice of Mandatory Purchases. The Tender Agent shall give notice of a mandatory purchase as follows:

- *In the case of a Mode Change*: by Electronic Means to the Holders of the Bonds subject to mandatory purchase no less than 5 Business Days for Bonds which are to be changed to a Mode of 360 days or less and no less than 15 days for Bonds which are to be changed to a Mode of more than 360 days or an Indexed Mode, each prior to the Mandatory Purchase Date;

- *In the case of an expiration or substitution of Credit Facility*: by mail to the Holders of the Bonds subject to mandatory purchase no less than 10 days prior to such Mandatory Purchase Date;

- *In the case of a Default Tender Date*: immediate notice by Electronic Means; or

- *In the case of a final Interest Payment Date for a Term Rate Period*: by mail to the Holders of the Bonds subject to mandatory purchase no less than 15 days prior to such Mandatory Purchase Date.

No notice is required to be given with respect to a mandatory purchase on a Purchase Date for a Commercial Paper Rate Period.

Payment of Purchase Price

The purchase price of any Bond purchased as described above under "THE BONDS – Purchase of Bonds on Demand of Owner" and "– Mandatory Purchase of Bonds" shall be payable in any coin or currency of the United States of America which, at the time of payment, is legal tender for the payment of public and private debts, by wire transfer of immediately available funds. The purchase price shall be paid on the Purchase Date upon delivery of such Bond on such Purchase Date; provided that if the date of such purchase is not a Business Day, the purchase price shall be payable on the next succeeding Business Day.

If the Holder of any Bond (or portion thereof) that is subject to purchase fails to deliver such Bond to the Tender Agent for purchase on the Purchase Date, and if the Tender Agent is in receipt of the purchase price therefor, such Bond (or portion thereof) shall nevertheless be deemed purchased on the Purchase Date therefor and ownership of such Bond or portion thereof shall be transferred to the purchaser thereof as described in the Indenture. Any Holder who so fails to deliver such Bond for purchase on (or before) the Purchase Date shall have no further rights thereunder, except the right to receive the purchase price thereof from those moneys deposited with the Tender Agent in the Purchase Fund established pursuant to the Indenture upon presentation and surrender of such Bond. The Tender Agent shall, as to any Bonds which have not been delivered to it, promptly notify the Remarketing Agent and the Trustee of such non-delivery. Upon such notification, the Trustee shall place a stop transfer against an appropriate amount of Bonds registered in the name of the Holder(s) on the Bond registration books, commencing with the lowest serial number Bond registered in the name of such Holder(s) (until stop transfers have been placed against an appropriate amount of Bonds) until the appropriate purchased Bonds are surrendered to the Tender Agent.

The Tender Agent shall hold all Bonds delivered to it in connection with any optional or mandatory purchase of Bonds in trust for the benefit of the Holders thereof until moneys representing the purchase price of such Bonds shall have been delivered to or for the account of or to the order of such Holders, and thereafter shall deliver replacement Bonds for any Bonds purchased, in accordance with the directions of the Remarketing Agent, to the Remarketing Agent for delivery to the purchasers thereof.

Limitations on Remarketing

If there shall have occurred and be continuing an Event of Default caused by a default in the payment of the principal or Redemption Price of any Bond when due and payable as described in the first bullet point below under "THE INDENTURE – Defaults" and the Credit Facility Provider, if any, has not paid such amount under the Credit Facility, then the Remarketing Agent shall not remarket any Bonds.

Redemption of Bonds

Optional Redemption. The Bonds are subject to optional redemption prior to maturity as follows:

- While in the Daily Mode, the Weekly Mode or Indexed Mode, the Bonds shall be subject to redemption, at the option of the Company, in whole or in part on any Business Day, at a redemption price of equal to the principal amount of the Bonds called for redemption, without premium, plus accrued interest to the date for redemption.

- While in the Commercial Paper Mode, the Bonds are not subject to optional redemption prior to their respective Purchase Dates.

- While in the Term Rate Mode, the Bonds shall be subject to redemption, at the option of the Company, in whole or in part on any Purchase Date at a redemption price equal to the principal amount of the Bonds called for redemption, without premium, plus accrued interest to the date for redemption.

- While in the Fixed Rate Mode, the Bonds shall be subject to redemption, at the option of the Company, at such times and upon such terms as shall be specified by the Company in a schedule delivered to the Trustee on or prior to the change to such Fixed Rate Mode.

Mandatory Redemption on Determination of Taxability. Subject to the immediately following paragraph, the Bonds will be redeemed in whole (or in part as described below), at a redemption price of 100% of the principal amount of the Bonds, without premium, plus accrued interest on any day within 120 days after the Company receives:

- written notice from any Holder, Beneficial Owner, former Holder, former Beneficial Owner or the Trustee to the effect that the interest paid or to be paid on any Bond (except to a "substantial user" of the Project or a "related person" within the meaning of the Code) is or was includable in the gross income of the Bond's owner for federal income tax purposes together with a written statement from such person that:

  (1) such person has received a notice of deficiency from the Internal Revenue Service to such effect with a copy of such notice of deficiency; or

  (2) a court of competent jurisdiction has so held, with a copy of such order or decision; or

- written notice from the Authority or the Trustee that the Internal Revenue Service has informed the Authority or the Trustee that the Internal Revenue Service intends to issue notices of deficiency to Holders, Beneficial Owners, former Holders or former Beneficial Owners asserting that the interest paid or to be paid on any Bond (except to a "substantial user" of the Project or a "related person" within the meaning of the Code) is or was includable in the gross income of the Bond's owner for federal income tax purposes;

- a written opinion of Bond Counsel requested by the Company to the effect that the interest paid or to be paid on any Bond (except to a "substantial user" of the Project or a "related person" within the meaning of the Code) more likely than not is or was includable in the gross income of the Bond's owner for federal income tax purposes; or

- written notice from the Authority to the Company that, as a result of adverse findings in the course of an Internal Revenue Service examination of the compliance of the Bonds with the Internal Revenue Code, the Authority, with the written consent of the Company, has determined to execute and deliver a closing agreement with the Internal Revenue Service that requires or will require the redemption of Bonds.

No such redemption shall be made, however, if within 60 days after receipt by the Company of the notice referred to in subsections (1) or (2) under the first bullet point above, the Company agrees in good faith to pay the reasonable expenses, to indemnify the Authority, the Trustee or the current or former Holders or Beneficial Owners involved in such a dispute with the Internal Revenue Service and to control the defense or exhaust available procedures to contest or obtain review of the result of the proceedings, and no such redemption shall be made while such proceedings are continued in good faith by the Company. If the Authority, the Trustee or the current or former Holder or Beneficial Owner involved in such dispute does not give the Company the opportunity to control the defense of such proceedings, such redemption shall not be made.

The provisions of first paragraph above will once again be applicable at such date as either (A) the Company chooses to discontinue such proceedings or determines such proceedings are final and have resulted in a finding that the interest paid or to be paid on any Bond (except to a “substantial user” of the Project or a “related person” within the meaning of the Code) is or was includable in the gross income of the Bond’s owner for federal income tax purposes; or (B) such proceedings are concluded with a determination acceptable to the Company to the effect that interest paid or to be paid on any Bond (except to a “substantial user” of the Project or a “related person” within the meaning of the Code) is or was not includable in the gross income of the Bond’s owner for federal income tax purposes.

Notwithstanding the provisions of the first paragraph above, fewer than all the Bonds may be redeemed if, based on an opinion of Bond Counsel delivered to the Trustee by the 45th day prior to the redemption date, redemption of fewer than all of the Bonds would result in the interest payable on the Bonds remaining Outstanding being not includable in the gross income for federal income tax purposes of any Bondholder or Beneficial Owner other than “substantial user” or “related person,” under the Code. If fewer than all Bonds are redeemed pursuant to the first bullet point, the Trustee will select the Bonds to be redeemed by lot or by such other method acceptable to the Trustee as may be specified in an opinion of Bond Counsel.

BY PURCHASE AND ACCEPTANCE OF A BOND, A HOLDER AGREES THAT THE REDEMPTION OF THE BONDS AT 100% OF THEIR PRINCIPAL AMOUNT AS DESCRIBED IN THE FIRST PARAGRAPH ABOVE SHALL BE COMPLETE AND TOTAL LIQUIDATED DAMAGES to the full extent permitted by law in the event that the interest paid or to be paid on any Bond (except to a “substantial user” of the Project or a “related person” within the meaning of the Code) is or was determined by the Internal Revenue Service to be includable in the gross income of the Bond’s owner for federal income tax purposes.

Notice of Redemption. Notice of redemption shall be mailed by first-class mail by the Trustee, not less than 30 nor more than 60 days prior to the date fixed for redemption, to the Credit Facility Provider (if any), the Rating Agencies then rating the Bonds and to the respective Holders of any Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee. Each notice of redemption shall state the date of such notice, the date of delivery of the Bonds, the date fixed for redemption, the Redemption Price, the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP number (if any) of the Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. Each such notice shall also state that on the date there will become due and payable on each of the Bonds the Redemption Price thereof or of the specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the date fixed for redemption, and that from and after such date, interest on such Bond shall cease to accrue, and shall require that such Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice.

Failure by the Trustee to mail notice of redemption to the Credit Facility Provider (if any), the Rating Agencies then rating the Bonds or to any one or more of the Holders of any Bonds designated for redemption shall not affect the sufficiency of the proceedings for redemption with respect to the Holder or Holders to whom such notice was mailed.

Any notice of redemption may be conditional and may be rescinded by written notice given to the Trustee by the Company no later than 5 Business Days prior to the date specified for redemption, or may be conditioned on the receipt of the Redemption Price on the redemption date. The Trustee shall give notice of such rescission, as soon thereafter as practicable, in the same manner, to the same persons, as notice of such redemption was given.

Book-Entry System

The following information in this section concerning DTC and DTC's book-entry system has been obtained from sources (including DTC) that the Company believes to be reliable, but none of the Company, the Authority, the Trustee, the Tender Agent, the Remarketing Agent or the Underwriters, takes any responsibility for the accuracy of such information.

DTC will act as Securities Depository for the Bonds. The Bonds will be issued as fully registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other nominee as may be requested by an authorized representative of DTC. One fully registered Bond will be issued in the aggregate principal amount of the Bonds and will be deposited with DTC. So long as the nominee of DTC is the registered owner of the Bonds, such nominee will be considered the sole owner or holder of the Bonds for all purposes under the Indenture and any applicable laws. Except as otherwise provided below, a Beneficial Owner of interests in the Bonds will not be entitled to have the Bonds registered in such owner's name, will not be entitled to receive definitive Bonds and will not be considered an owner or holder of the Bonds under the Indenture.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended (the "*Exchange Act*"). DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that its participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC is the holding company for DTC, National Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others, such as U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*"). DTC has Standard & Poor's Ratings Group's highest rating: AAA. The rules applicable to DTC and its Direct Participants are on file with the Securities and Exchange Commission (the "*Commission*"). More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC System must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (a "*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive definitive Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the documents governing the Bonds. For example, Beneficial Owners may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed. Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal or purchase price of and premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (or its nominee), the Company, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, purchase price, premium and interest with respect to the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

A Beneficial Owner, through a Direct Participant acting on behalf of such Beneficial Owner, or an Indirect Participant acting on behalf of such Beneficial Owner, shall give notice to the Remarketing Agent and the Tender Agent of its election to have Bonds tendered for purchase and shall effect delivery of such Bonds by causing such Direct Participant to transfer on DTC's records the Direct Participant's interest in the Bonds to the Remarketing Agent. The requirement for physical delivery of Bonds in connection with an optional or mandatory purchase will be deemed satisfied when the ownership rights in such Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Remarketing Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Authority, the Company and the Trustee, or DTC's services with respect to the Bonds may be discontinued or terminated at any time by the Company if it determines that DTC or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as depository. In the event that DTC's services are so discontinued or terminated, the Authority is obligated to deliver definitive Bonds, at the expense of the Company, as described in the Indenture.

The Authority, the Company, the Trustee, the Underwriters, the Tender Agent and the Remarketing Agent will have no responsibility or obligation to DTC, Direct Participants, Indirect Participants or the Beneficial Owners of the Bonds with respect to (a) the accuracy of any records maintained by DTC, any Direct Participant or any Indirect Participant; (b) the payment by DTC to any Direct Participant or any Indirect Participant of any amount due to any Beneficial Owner in respect of the principal amount or redemption or purchase price of, or premium, if any, or interest on, any Bonds; (c) the delivery of any notice by DTC, any Direct Participant or any Indirect Participant; (d) the selection of Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; or (e) any other action taken or omitted to be taken by DTC or any Direct Participant or Indirect Participant. The current "rules" applicable to DTC are on file with the Commission and current "procedures" of DTC to be followed in dealing with its participants are on file with DTC.

Same-Day Settlement and Payment

Settlement for the Bonds will be made by the Remarketing Agent in immediately available funds. While the Bonds are in the Book-Entry System described above, all payments of principal, premium (if any), purchase price and interest will be made by the Trustee or Tender Agent on behalf of the Authority to DTC in immediately available funds.

The information contained in this Official Statement with respect to DTC has been extracted from a report from DTC. No representation is made by the Authority, the Company, the Trustee, the Tender Agent or the Remarketing Agent as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

THE LETTER OF CREDIT AND THE CREDIT FACILITY

The following statements summarize selected provisions of the initial Letter of Credit and the initial Credit Facility. However, because this summary is not complete, it is subject to the detailed provisions of the initial Letter of Credit and the initial Credit Facility, including the definitions of the terms used under this caption. Wherever defined terms of the Credit Facility are referred to, such defined terms are incorporated herein by reference as part of the statement made, and the statement is qualified in its entirety by such reference.

The Letter of Credit

The Credit Facility Provider will issue the initial Letter of Credit pursuant to the Credit Facility. The Credit Facility contemplates the issuance of up to three letters of credit to support up to $212,175,000 principal amount of bonds to be issued for the benefit of the Company, including the initial Letter of Credit being issued to support the Bonds. Issuers of those letters of credit pursuant to the Credit Facility are referred to as "*Letter of Credit Issuers*," and the financial institutions that are parties to the Credit Facility are referred to as "*Banks*."

The Letter of Credit will be issued to the Trustee upon the issuance of the Bonds and will have a Required Stated Amount of $50,698,271. The Letter of Credit will expire on the earliest of (i) June 27, 2009; (ii) the receipt of notice that the Bonds have been defeased, a substitute letter of credit has been obtained, or the Bonds have been converted to a Term Mode, an Indexed Mode, a Commercial Paper Mode or a Fixed Mode; (iii) the last draw that can be made thereunder is made; or (iv) ten days after receipt by the Trustee of notice from the Credit Facility Provider stating that an event of default has occurred under the Credit Facility and directing the Trustee to accelerate the maturity of the Bonds.

Required Stated Amount

The Required Stated Amount of the Letter of Credit will be composed of an amount equal to the principal amount of the Bonds plus an amount representing interest calculated at the Maximum Rate of 12% per annum for 53 days based on a year of 365 days.

The Required Stated Amount is subject to adjustment for payments made by the Credit Facility Provider to the Trustee pursuant to drawings under the Letter of Credit. Payments made (i) pursuant to drawings on the Letter of Credit to make scheduled principal payments on the Bonds, (ii) to pay the unpaid principal of the Bonds on redemption, and (iii) to pay the unpaid principal of the Bonds upon acceleration, permanently reduce the Required Stated Amount by an amount equal to such payments. Payments made pursuant to drawings on the Letter of Credit made to pay interest on the Bonds and to pay the Purchase Price of Bonds tendered to the Trustee in accordance with the Indenture reduce the Required Stated Amount by an amount equal to such payments; provided that such amounts reduced with respect to the payment of accrued interest (other than in connection with a redemption of Bonds) only are reinstated automatically after such drawings (unless the Trustee has received written notice that an event of default has occurred under the Credit Facility).

Substitute Credit Facility

At least 15 days prior to the Expiration Date of the then current Letter of Credit, the Company may provide for the delivery to the Trustee of a Substitute Credit Facility.

Fees and Interest

The Company is obligated to pay the Letter of Credit Issuer and the Banks certain fees in connection with the issuance of the Letter of Credit and drawings made thereunder and to pay interest on all amounts drawn under the Letter of Credit at the rates specified in the Credit Facility.

Certain Covenants

The Company is obligated under the Credit Facility, among other things, to keep proper books of record and account; to maintain its existence and properties; to comply with applicable laws; to maintain adequate insurance on its properties; to keep its properties, revenues and assets free of liens, other than liens permitted under the Credit Facility; to comply with certain restrictions on mergers or dispositions of all or substantially all of its assets; to comply with an interest coverage test; and to submit to the Banks certain financial reports and information.

Events of Default

The following are deemed to be “Events of Default” under the Credit Facility:

- Any failure of the Company to pay when due any amount paid by the Administrative Agent, any Letter of Credit Issuer or any Bank (as defined in the Credit Facility) under any Letter of Credit or any principal of any Tender Advance (as defined in the Credit Facility) or any failure to pay within three days of the due date thereof, any interest or any fees payable under the Credit Facility;

- Any representation or warranty made by the Company in the Credit Facility, any document related to the issuance of the Bonds (an “*Operative Document*”) or in any certificate, financial or other statement furnished by the Company (or any of its authorized officers) pursuant to the terms of the Credit Facility or any such Operative Document is incorrect or misleading in any material respect when made;

- Any failure by the Company to perform or observe (i) certain terms, covenants or agreements contained in the Credit Facility relating to the use of proceeds, disclosure concerning the Banks or the Letter of Credit Issuer, certain notices of default and negative covenants or (ii) any other term, covenant or agreement on its part to be performed or observed contained in the Credit Facility or in any Operative Document to which it is a party if the failure to perform or observe such other term, covenant or agreement shall remain unremedied for 30 days after written notice thereof shall have been given to the Company by the Administrative Agent (which notice shall be given by the Administrative Agent at the written request of any Bank);

- An “Event of Default” shall have occurred under and as defined in the Credit Agreement dated as of October 3, 2007 among the Company, the financial institutions named therein and JPMorgan Chase Bank N.A., as Administrative Agent, as amended from time to time;

- Any failure by the Company or any Principal Subsidiary (as defined in the Credit Facility) to pay any principal of or premium or interest on any debt that is outstanding in a principal amount in excess of $50,000,000 in the aggregate (with specified exclusions for, among other things, nonrecourse debt) when the same becomes due and payable, which is not cured within any applicable cure period under such agreements; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such debt and shall continue after the applicable cure period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such debt; or any such debt shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof;

- The occurrence of certain events of insolvency or bankruptcy involving the Company or any Principal Subsidiary;

- One or more judgments or orders for the payment of money in an aggregate amount exceeding $50,000,000 (excluding any such judgments or orders which are fully covered by insurance, subject to any customary deductible, and under which the applicable insurance carrier has acknowledged such full coverage in writing) shall be rendered against the Company or any Principal Subsidiary and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect;

- The occurrence of certain events involving employee benefit plans in which the Company participates, (including events likely to lead to, or causing, plan terminations, trustee appointments by an appropriate United States District Court of a trustee to administer a Plan (as defined in the Credit Facility), the institution by the PBGC (as defined in the Credit Facility) of proceedings to terminate any Plan or to appoint a trustee to administer any Plan or withdrawal by the Company or any other member of the controlled group withdraws from any multiemployer plan), in which the Company has received notice assessing the liability of the Company with respect to the applicable plan and such liability exceeds $50,000,000;

- The outstanding capital stock of the Company shall fail to be at least 85% owned, directly or indirectly, by Exelon Corporation ("*Exelon*") (other than as a result of Exelon distributing the capital stock of the Company to Exelon's shareholders generally);

- Any material provision of the Credit Facility or any Operative Document to which the Company is a party shall at any time for any reason cease to be valid and binding on the Company or the Indenture shall cease to be valid and binding on the Trustee and the Issuer, or any of such agreements shall be declared to be null and void, or the validity or enforceability thereof shall be contested by the Company or any governmental authority or regulatory body or the Company shall deny that it has any or further liability or obligation under the Credit Facility or any Operative Document to which it is a party;

- the liens created by the Control Agreements or the Pledge Agreement (as such terms are defined in the Credit Facility) shall cease to create a Lien (as defined in the Credit Facility) on the collateral described therein with the priority purported to be created thereby securing the obligations to the Administrative Agent and the Banks; or

- The occurrence of an "event of default" under and as defined in the Indenture or any other Operative Document to which the Company is a party.

Remedies

Upon the occurrence of any Event of Default under the Credit Facility, the Company may be required to repay all amounts owing under the Credit Facility and/or deposit as collateral with the Administrative Agent cash collateral in an amount equal to the Required Stated Amount of the Letter of Credit. In addition, the Administrative Agent may direct the Trustee to accelerate the Bonds or issue a notice for a mandatory tender of the Bonds. Such collateral will be held by the Administrative Agent until the Letter of Credit is terminated and all obligations of the Company to the Credit Facility Provider and the Banks have been paid in full. The Company grants a security interest to the Administrative Agent, for the benefit of the Banks and the Credit Facility Provider, in any of such collateral as may be deposited from time to time. The Administrative Agent may, and upon written instructions from the Majority Banks shall, also exercise its rights or remedies available at law or in equity.

No action taken with respect to remedies under the Credit Facility shall relieve the Company from any obligations to the Banks, all of which will survive any such action. No remedy conferred upon or reserved to the Banks is exclusive of any other available remedy or remedies.

THE FIRST MORTGAGE BOND AND THE MORTGAGE

The following statements summarize selected provisions of the Mortgage and the First Mortgage Bond. However, because this summary is not complete, it is subject to the detailed provisions of the Mortgage and the First Mortgage Bond, including the definitions of the terms used under this caption. Wherever defined terms of the Mortgage are referred to, such defined terms are incorporated herein by reference as part of the statement made, and the statement is qualified in its entirety by such reference.

Concurrently with the delivery of the Bonds, the Authority will receive from the Company, as a collateral pledge under the Loan Agreement, a First Mortgage Bond, which will, in turn, be pledged to the Trustee under the Indenture as security for the Bonds. The First Mortgage Bond will be issued under the Mortgage, will be non-transferable except to a successor Trustee and will be issued in a principal amount and with interest payments, interest payment dates, maturity date, prepayment or redemption terms and other provisions corresponding to the Bonds.

The following statements are brief summaries of certain provisions of the Mortgage. The terms "*lien of Mortgage*," "*mortgage date of acquisition*," "*permitted lien*," "*prior lien*," "*prior lien bonds*," "*property additions*," and "*utilized under the Mortgage*" are used in this Official Statement with the meanings given to those terms in the Mortgage. The term "*bonds*" means any first mortgage bonds issued under the Mortgage. The Mortgage contains provisions under which substantially all of the properties of the Company's electric utility subsidiary, Commonwealth Edison Company of Indiana, Inc. (the "*Indiana Company*"), might be subjected to the lien of the Mortgage, if the Company should so determine, as additional security for the Company's bonds, whereupon that subsidiary would become a "mortgaged subsidiary," as defined in the Mortgage. Since the Company has not as yet made any determination as to causing the Indiana Company to become a mortgaged subsidiary, those provisions of the Mortgage that are summarized below that discuss a mortgaged subsidiary as well as the Company, relate to the Company only.

Security

The First Mortgage Bond will rank equally with all bonds, irrespective of series, now or hereafter outstanding under the Mortgage. The Mortgage is a direct first mortgage lien on substantially all property and franchises currently owned by the Company, subject only to permitted liens (other than expressly excepted property and property which may be acquired by the Company subsequent to the filing of a bankruptcy proceeding with respect to the Company under the Bankruptcy Reform Act of 1978). The Company's transmission and distribution assets are the principal properties subject to the lien of the Mortgage. In addition, any property and franchises hereafter acquired by the Company (other than expressly excepted property and property which may be acquired by the Company subsequent to the filing of a bankruptcy proceeding with respect to the Company under the Bankruptcy Reform Act of 1978) will also become subject to the lien of the Mortgage, subject only to permitted liens and liens, if any, existing or placed on such after-acquired property at the time of acquisition thereof.

There are expressly excepted from the lien of the Mortgage, whether now owned or hereafter acquired, certain real estate not used in the public utility business, real estate held by the Company in the name of a nominee, cash and securities not specifically pledged under the Mortgage, receivables, contracts (other than leases), materials and supplies not included in utility plant accounts, merchandise, automobiles, trucks and other transportation equipment and office furniture and equipment.

Acquisitions of Property Subject to Prior Liens

The Company covenants in the Mortgage that it will not acquire any property subject to a prior lien (other than a permitted lien):

- if the principal amount of prior lien bonds outstanding thereunder and under other prior liens upon such prior lien property exceeds 66-2/3% of the fair value of such part of such property as shall consist of property of the character of property additions; and

- unless the net earnings of such property for any twelve-month period within the immediately preceding fifteen-month period shall have been at least two and one-half times the annual interest on all prior lien bonds secured by prior liens on such property.

The Company also covenants that it will not transfer all or substantially all of its property to any other corporation, the property of which is subject to a prior lien, unless the property of such other corporation could be acquired by the Company under the provisions of such covenant with respect to the acquisition of property subject to a prior lien.

The Company covenants that it will not issue additional prior lien bonds under any prior lien, and that as soon as all prior lien bonds shall cease to be outstanding under any prior lien, the Company will promptly procure or cause to be procured the cancellation and discharge of such prior lien. The Company further covenants that upon the discharge of a prior lien it will cause any cash on deposit with the prior lien trustee (other than cash deposited for the payment or redemption of outstanding prior lien bonds) to be deposited with the Mortgage Trustee, except to the extent required to be deposited with the trustee under another prior lien.

Release of Property from Mortgage

Provided that the Company is not in default under the Mortgage, the Mortgage allows the Company to release property from the lien of the Mortgage in connection with its sale or other disposition. Under these provisions, the Company may obtain the release of mortgaged property by

- delivering to the Mortgage Trustee specified certificates describing the property to be sold or disposed and the consideration to be received and stating its fair value;

- delivering an opinion of counsel as to compliance with the provisions of the Mortgage governing such release; and

- depositing cash with the Mortgage Trustee in an amount equal to the fair value of the property to be released, subject to reduction or elimination as hereinafter described.

"*Fair value*" is defined as the fair value to the Company of the property in question. Fair value is determined by one of the Company's engineers; however, a determination by an independent engineer is also required if the fair value of the property in question exceeds 1% or more of the outstanding principal amount of the bonds under the Mortgage. The required cash deposit may be reduced, or eliminated entirely, by utilizing net property additions or bondable bond retirements not previously utilized under the Mortgage.

The Company has used these provisions from time to time to release substantial amounts of property from the lien of the Mortgage. In December 1999, the Company obtained the release of its fossil generation assets in connection with their sale to a third party. In January 2001, the Company obtained the release of, among other things, its nuclear generation assets in connection with their transfer to its affiliate, Exelon Generation Company, LLC, as part of a restructuring undertaken by its parent corporation, Exelon Corporation. In both cases, the releases were accomplished without the deposit of cash due to the availability of sufficient amounts of unutilized bondable bond retirements and net property additions.

Issuance of Additional Bonds

The Mortgage provides that no bonds may be issued which, as to security, will rank ahead of the First Mortgage Bond but, as indicated below, the Company may, subject to certain limitations, acquire property subject to prior liens.

The aggregate principal amount of other bonds that may be issued under the Mortgage and that, as to security, will rank equally with the First Mortgage Bond is not limited except as indicated below. Additional bonds of any series may be issued, subject to the provisions of the Mortgage, in principal amount equal to

- 66-2/3% of net property additions not previously utilized under the Mortgage,
- the amount of cash deposited with the Mortgage Trustee as the basis for the issuance of those bonds and
- the amount of bondable bond retirements not previously utilized under the Mortgage;

provided, however, that no bonds may be issued on the basis of net property additions or deposited cash, or on the basis of bondable bond retirements if the bonds to be issued bear a higher rate of interest than that borne by the bonds retired or being retired (except when the bonds retired or being retired mature within two years), unless the net earnings of the Company for any twelve-month period within the immediately preceding fifteen-month period shall have been equal to at least two and one-half times the annual interest on all bonds then outstanding under the Mortgage, including the bonds then proposed to be issued but not including any bonds then being retired.

The Mortgage provides that cash deposited with the Mortgage Trustee as a basis for the issuance of bonds shall be:

- paid over to the Company in an amount, certified to the Mortgage Trustee, equal to 66-2/3% of the amount of net property additions not previously utilized under the Mortgage, or in an amount equal to the amount of bondable bond retirements not previously utilized under the Mortgage, or both, or
- applied to the purchase or redemption of bonds.

"*Net earnings*" means the earnings of the Company as defined in the Mortgage after deducting all charges except:

- charges for the amortization, write-down or write-off of acquisition adjustments or intangibles;
- property losses charged to operations;
- provisions for income and excess or other profits taxes imposed on income after the deduction of interest charges, or charges made in lieu of those taxes;
- interest charges; and
- amortization of debt and stock discount and expense or premium.

Any net profit or net loss from merchandising and jobbing is to be deducted from operating expenses or added to operating expenses, as the case may be. Net non-operating income from property and securities not subject to the lien of the Mortgage may be included in revenues but only to the extent of not more than 10% of the total of such net earnings. No profits or losses on the disposition of property or securities or on the reacquisition of securities shall be included in net earnings. The net earnings calculation under the Mortgage is not affected by certain accounting write-offs related to plant costs.

Except as set forth above, the Mortgage does not limit the amount of additional bonds which can be issued; and it does not contain any restrictions on the issuance of unsecured indebtedness. In addition, the Mortgage does not prohibit a merger or sale of substantially all of the Company's assets or a comparable transaction, unless the lien of the Mortgage is impaired, and does not address the effect on bondholders of a highly leveraged transaction.

Property Additions/Bondable Bond Retirements

At March 31, 2008, the amount of net property additions not utilized under the Mortgage was approximately $33 million, and the amount of bondable bond retirements not previously utilized under the Mortgage was approximately $1.75 billion. The First Mortgage Bond will be issued on the basis of bondable bond retirements.

"*Bondable bond retirements*" means an amount equal to the principal amount of bonds retired by application of funds deposited with the Mortgage Trustee for cancellation, whether or not such deposit of funds or surrender of bonds is pursuant to a sinking fund or purchase fund.

"*Net property additions*" means the amount of $50,000,000, plus the cost or fair market value as of the mortgage date of acquisition thereof, whichever is less, of property additions, less all "current provisions for depreciation" made by the Company after December 1, 1944, after deducting from such current provisions for depreciation the amount of the "renewal fund requirement," if any, for the year 1945 and subsequent years.

"*Current provisions for depreciation*" for any period means the greater of:

- the total of the amounts appropriated by the Company for depreciation during that period on all property of the character of property additions not subject to a prior lien, increased or decreased, as the case may be, by net salvage value for that period, such amounts not to include, however, provisions for depreciation charged to surplus, charges to income or surplus for the amortization, write-down or write-off of acquisition adjustments or intangibles, property losses charged to operations or surplus, or charges to income in lieu of income and excess or other profits taxes; and

- an amount equal to one-twelfth of 2% for each calendar month of that period (or such lesser percentage, as may, at stated intervals, be certified by an independent engineer as adequate) of the original cost, as of the beginning of that month, of all depreciable property of the character of property additions not subject to a prior lien.

Renewal Fund Requirement

The Company covenants that it will, for each year, pay or cause to be paid to the Mortgage Trustee an amount of cash, as and for a renewal fund, equal to the excess, if any, of current provisions for depreciation for that year over the cost or fair market value as of the mortgage date of acquisition thereof, whichever is less, of property additions for that year, such amount, which will be the renewal fund requirement for such year, to be subject to reduction by an amount equal to the amount, certified to the Mortgage Trustee, of net property additions or bondable bond retirements, or both, not previously utilized under the Mortgage. There was no renewal fund requirement for any of the years 1945 through 1988, 1991, 1992, 1997 through 2003, 2005 or 2006. There was a $140.7 million renewal fund requirement for 1989, a $1 million requirement for 1990, a $50.9 million requirement for 1993, a $193.6 million requirement for 1994, a $15.0 million requirement for 1995, a $139.9 million requirement for 1996 and a $270.7 million requirement for 2004. In 1989, 1990, 1993, 1994 and 2004, the renewal fund requirement was satisfied by certifying an equivalent amount of net property additions. In 1995 and 1996, the renewal fund requirement was satisfied by certifying an equivalent amount of bondable bond retirements.

Modification of Mortgage

In general, modifications or alterations of the Mortgage and of the rights and obligations of the Company and of the bondholders, and waivers of compliance with the Mortgage, may, with the approval of the Company, be made at a meeting of bondholders upon the affirmative vote of bondholders owning 80% of the principal amount of the bonds entitled to vote at the meeting with respect to the matter involved, but no such modifications or alterations or waivers of compliance shall be made which will permit the extension of time or times of payment of the principal of or the interest or the premium, if any, on any bonds or the reduction in the principal amount thereof or in the rate of interest or the amount of any premium thereon, or any other modification in the terms of such principal, interest or premium, which terms of payment are unconditional, or, otherwise than as permitted by the Mortgage, the creation of any lien ranking prior to or on a parity with the lien of the Mortgage with respect to any of the mortgaged property, all as more fully provided in the Mortgage.

Pending Amendment to Mortgage

We are amending the Mortgage in order to remove the current requirement that the mortgage trustee maintain its principal office in Chicago, Illinois. The immediate purpose of this amendment is to accommodate the desire of the current mortgage trustee to consolidate its trust affiliates into a single company, The Bank of New York Trust Company, N.A., whose principal office is located in Los Angeles, California. We also believe that lifting the restriction provides greater flexibility in selecting future trustees, should such a selection be necessary or desirable. The amendment is reflected within the Supplemental Indenture dated as of June 12, 2008, and owners of the Bonds will be deemed to have consented to that amendment by virtue of their acceptance of those Bonds. The amendment, however, will not become effective until it has received the requisite approvals under the Mortgage.

Concerning the Mortgage Trustee and the Co-Trustee

An affiliate of the Mortgage Trustee, BNY Midwest Trust Company, provides general banking services, including those as a depository, for the Company and certain of its affiliates. The Mortgage Trustee is an affiliate of the Trustee for the Bonds.

D.G. Donovan, Co-Trustee under the Mortgage, is an officer of the Mortgage Trustee.

Rights Upon Default

The Mortgage provides that in case any one or more of certain specified events (defined as "*completed defaults*") shall occur and be continuing, the Mortgage Trustee or the holders of not less than 25% in principal amount of the bonds may declare the principal of all bonds, if not already due, together with all accrued and unpaid interest thereon, to be immediately due and payable. The Mortgage Trustee upon request of the holders of a majority in principal amount of the outstanding bonds, shall waive such default and rescind any such declaration if such default is cured.

The Mortgage further provides that upon the occurrence of one or more completed defaults, the Mortgage Trustee and the Co-Trustee may proceed by such suits of law or in equity to foreclose the lien of the Mortgage or to enforce any other appropriate remedy as the Mortgage Trustee and the Co-Trustee, being advised by counsel, shall determine.

Holders of bonds have no right to enforce any remedy under the Mortgage unless the Mortgage Trustee and the Co-Trustee have first had a reasonable opportunity to do so following notice of default to the Mortgage Trustee and request by the holders of not less than 25% in principal amount of the outstanding bonds for action by the Mortgage Trustee and the Co-Trustee with offer of indemnity satisfactory to the Mortgage Trustee and the Co-Trustee against costs, expenses and liabilities that may be incurred thereby, but such provision does not impair the absolute right of any bondholder to enforce payment of the principal of and interest on such bondholder's bonds when due.

Default and Notice Thereof to First Mortgage Bondholders

The Mortgage provides that the following shall constitute completed defaults:

- default shall be made in the payment of any installment of interest on any of the bonds when due and such default shall continue for 60 days;

- default shall be made in the payment of the principal of any of the bonds when due, whether at maturity or by declaration or otherwise;

- default shall be made in the payment of any installment of interest on any prior lien bonds when due, and such default shall continue for 30 days after written notice given to the Company (following the expiration of the period of grace, if any, specified in the prior lien securing such prior lien bonds) by the Mortgage Trustee or to the Company and the Mortgage Trustee by the holders of not less than 5% in principal amount of the bonds;

- default shall be made in the payment of the principal of any prior lien bonds when due, whether at maturity or by declaration or otherwise, and such default shall continue for 30 days after written notice to the Company by the Mortgage Trustee or to the Company and the Mortgage trustee by the holders of not less than 5% in principal of the bonds;

- bankruptcy, receivership or similar proceedings shall be initiated by the Company, or any judgment entered in such proceedings initiated against the Company shall not have been vacated, set aside or stayed within 45 days after the entry thereof; and

- default shall be made in the observance or performance of any other of the covenants, conditions or agreements on the part of the Company contained in the Mortgage or in the bonds or in any prior lien or prior lien bonds, and such default shall continue for 90 days after written notice to the Company and the Mortgage Trustee by the holders of not less than 25% in principal amount of the bonds.

Within 90 days after the occurrence of any default which is known to the Mortgage Trustee and the Co-Trustee, the Mortgage Trustee and the Co-Trustee shall give to the bondholders notice of such default unless it shall have been cured; except that, in case of defaults in the payment of principal of or interest on the bonds, or in the payment of any sinking fund or purchase fund installment, the Mortgage Trustee, or any one or more of them, shall in good faith determine that the withholding of such notice is in the interests of the bondholders and the Co-Trustee shall in good faith determine that the withholding of such notice is in the interests of the bondholders.

Default Mandatory Redemption

The First Mortgage Bond shall be redeemed promptly, without notice, by the Company in whole at 100% of the principal amount thereof plus accrued interest to the date of redemption following receipt by the Mortgage Trustee of written notice from the Trustee stating that the principal of the Bonds has been declared to be immediately due and payable as a result of an event of default under the Indenture.

Certificates and Opinions

Officers' certificates evidencing compliance with the covenants in the Mortgage relating to the payment of taxes and the maintenance of insurance on properties of the Company subject to the lien of the Mortgage must be filed as exhibits to the certificate of the Company filed annually with the Mortgage Trustee. In connection with the taking of various actions by the Mortgage Trustee and the Co-Trustee, or the Mortgage Trustee upon application of the Company, including the authentication and delivery of additional bonds, the release of property, the reduction or withdrawal of cash and other matters, the Mortgage requires that the Company furnish to the Mortgage Trustee orders, requests, resolutions, certificates of the officers, engineers, accountants and appraisers, and opinions of counsel and other documents, the particular documents to be furnished in each case being dependant upon the nature of the application.

THE LOAN AGREEMENT

The following statements with respect to the Loan Agreement are brief summaries of certain provisions thereof and do not purport to be complete; such statements are subject to the detailed provisions of the Loan Agreement, including the definitions of the terms used under this caption. Wherever defined terms of the Loan Agreement are referred to, such defined terms are incorporated herein by reference as part of the statement made, and the statement is qualified in its entirety by such reference.

Issuance of the Bonds; Loan of Proceeds

The Authority is issuing the Bonds for the purpose of refunding the Prior Bonds, the proceeds of which were used to refund a portion of the bonds previously issued to finance a portion of the Company's costs of the Project. The proceeds from the sale of the Bonds will be deposited with and held by the trustee under the indenture of trust securing such Prior Bonds.

The proceeds of the Bonds will be used to finance the refunding of the Prior Bonds on the redemption date of such Prior Bonds. The Company will pay the remaining cost of such redemption from its available funds.

Loan Repayments

The Company agrees to pay to the Trustee, for so long as any Bonds are Outstanding, on or before each date upon which the principal of, or the premium, if any, or interest on, the Bonds is payable in accordance with the provisions of the Indenture, a sum which, together with other money available therefor under the Indenture, will equal the sum of the principal of, and the premium, if any, and interest on, the Bonds which will be payable on such date (whether at maturity or by redemption or otherwise in accordance with the terms of the Indenture). In furtherance of the foregoing, so long as any Bonds are Outstanding, the Company will pay or cause to be paid all amounts required to prevent any deficiency or default in any payment of the principal of, the premium, if any, and interest on, and the purchase price of, the Bonds, including any deficiency caused by an act or failure to act by the Trustee, the Company, the Authority or any other person. The Company shall receive a credit against its obligation to make any payments on the First Mortgage Bond in an amount equal to the amount, if any, paid by or for the account of the Company under the Loan Agreement or the Indenture. Whenever payment or provision therefor has been made in respect of the principal of or premium, if any, or interest on all or any portion of the Bonds in accordance with the Indenture (whether at maturity or upon redemption or acceleration or upon provision for payment in accordance with the Indenture), the First Mortgage Bond shall be deemed paid in a principal amount equal to the principal amount of the Bonds being paid, to the extent such payment or provision therefor has been made and is considered to be a payment of principal, premium, if any, or interest on such Bonds. Subject to the foregoing or unless the Company is entitled to a credit under the Loan Agreement or the Indenture, all payments shall be in the full amount required under the First Mortgage Bond.

Payments on the First Mortgage Bond will be deposited with the Trustee and applied, along with any other funds on deposit for such purpose, to payments of principal of and premium, if any, and interest on the Bonds. The payments so deposited will be deemed to be like payments by the Company with respect to the First Mortgage Bond and will be credited against the Company's obligation to make payments on such First Mortgage Bond.

Such payments will be pledged under the Indenture by the Authority to the Trustee, and the Company is to make all such payments directly to the Trustee.

The Company's obligation to make payments under the Loan Agreement and under the First Mortgage Bond will be absolute and unconditional, without defense, recoupment or set-off by reason of any default by the Authority under the Loan Agreement or under any other agreement between the Company and the Authority or for any other reason.

Taxes; Expenses

The Company will promptly pay, as the same become due, all lawful taxes, assessments and governmental charges of any kind whatsoever including, without limitation, income, profits, property and excise taxes levied or assessed by federal, state or any local government upon the Authority with respect to payments under the Loan Agreement. The Authority agrees to give the Company prompt notice of any such taxes, assessments or governmental charges. The Company may, at its expense, in good faith contest any such taxes, assessments or other charges.

The Company is obligated to pay certain expenses of the Authority, the Trustee and agents serving under the Indenture, including the compensation and reimbursement of expenses of the Trustee and such agents.

Tax-exempt Status of the Bonds

The Company covenants and agrees that it will not knowingly take or authorize or permit, to the extent such action is within the control of the Company, any action which will result in the loss of the exclusion of interest on the Bonds from gross income of the owners of the Bonds for federal income tax purposes; and the Company also will not knowingly omit to take any action in its power which, if omitted, would cause such result.

The Authority, to the extent it has control over the proceeds of the Bonds and subject to the limitation on its liability as provided in the Loan Agreement and the Indenture, and the Company covenant and represent to each other and to and for the benefit of the purchasers and owners of the Bonds that so long as any of the Bonds remain Outstanding, amounts on deposit in any fund in connection with the Bonds, whether or not such amounts were derived from the proceeds of the sale of the Bonds or from any other sources, will not be used in a manner which will cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "*Code*"), and any lawful regulations promulgated thereunder, as the same currently exist or may from time to time hereafter be amended, supplemented or revised. The Company and the Authority also each covenants for the benefit of the Bondholders to comply with all of the provisions of the Tax Agreement.

Credit Facilities

The Company may at any time provide a Credit Facility with respect to any Bonds and terminate any such Credit Facility; provided that no such termination may be effected with respect to the Bonds during any Commercial Paper Rate Period, Fixed Rate Mode, Indexed Mode or Term Rate Period then applicable with respect to the Bonds. The Company may substitute a Credit Facility for any Credit Facility then in effect; provided that no such substitution may be made with respect to the Bonds during any Commercial Paper Rate Period, Fixed Rate Mode, Indexed Mode or Term Rate Period then applicable with respect to the Bonds. Prior to the provision or termination by the Company of any Credit Facility (whether in connection with the substitution of an existing Credit Facility or otherwise), there shall be delivered to the Authority and the Trustee an Opinion of Bond Counsel to the effect that the delivery or termination, as the case may be, of such Credit Facility is permitted under the Indenture and the Loan Agreement and complies with the terms of the Loan Agreement and that the delivery or termination, as the case may be, of such Credit Facility will not adversely affect the tax-exempt status of interest on the Bonds and an Opinion of Counsel to the effect that such Credit Facility is the legal, valid and binding obligation of the Credit Facility Provider, enforceable in accordance with its terms. Upon provision of a Credit Facility to the Trustee and the foregoing Opinion of Bond Counsel to the Authority and the Trustee, the Trustee shall accept such Credit Facility and, if so directed by the Company, upon the effective date of the Credit Facility promptly surrender the previously held Credit Facility, if any, in accordance with the respective terms thereof for cancellation. If at any time there shall cease to be any Bonds Outstanding secured by a Credit Facility or provision for payment of such Bonds has been made in accordance with the defeasance provisions of the Indenture, the Trustee shall promptly surrender such Credit Facility in accordance with the terms of the Credit Facility for cancellation. The Trustee shall comply with the procedures set forth in the Credit Facility relating to the termination thereof.

Not less than 15 days (or such shorter period as is acceptable to the Trustee) prior to the termination, removal, substitution or delivery of any such Credit Facility or the expiration of an existing Credit Facility with respect to the Bonds, the Company shall send written notice of such termination, removal, substitution, delivery or extension to the Trustee together with, as applicable, an agreement to extend the Credit Facility.

Merger and Consolidation

The Company agrees that during the term of the Loan Agreement and so long as any Bond is outstanding, it will maintain its existence, will not dissolve, liquidate or otherwise dispose of all or substantially all of its assets, and will not consolidate with or merge into another legal entity or permit one or more other legal entities (other than one or more subsidiaries of the Company) to consolidate with or merge into it. Any dissolution, liquidation, disposition, consolidation or merger (a "*Transaction*") shall be subject to the following conditions, among others:

- the Company provides a certificate to the Authority and Trustee, in form and substance satisfactory to such parties, to the effect that no event of default exists under the Loan Agreement or the Indenture and that no event of default thereunder will be caused by the Transaction;

- the entity surviving the Transaction (the "*Survivor*") is organized and existing under the laws of the United States, a state thereof or the District of Columbia and assumes in writing and without condition or qualification the obligations of the Company under each of the Loan Agreement, the Tax Agreement, the Purchase Contract, the Initial Reimbursement Agreement, the Remarketing Agreement, the Supplemental Indenture and the First Mortgage Bond (collectively, the "*Company Agreements*");

- such dissolution, liquidation, disposition, consolidation or merger is permitted under the Mortgage;

- the Company or the Survivor, within ten days after execution thereof, furnishes to the Authority and Trustee a true and complete copy of the instrument of dissolution, liquidation, disposition, consolidation or merger;

- neither the validity nor the enforceability of the Bonds, the Indenture or any material agreement related to the Bonds to which the Company is a party is adversely affected by the Transaction;

- the exclusion of the interest on the Bonds from gross income for federal income tax purposes is not adversely affected by the Transaction, and the provisions of the Act, the Indenture and the Company Agreements then in effect are complied with concerning the Transaction;

- no rating on the Bonds, if the Bonds are then rated, is reduced or withdrawn as a result of the Transaction;

- the Project continues to be as described in the Loan Agreement;

- any successor to the Company shall be qualified to do business in the State of Illinois and shall continue to be qualified to do business in the State throughout the term of the Loan Agreement; and

- the Authority has executed a certificate acknowledging receipt of all documents, information and materials described above.

Defaults and Remedies

Each of the following events will constitute an "*event of default*" under the Loan Agreement:

(a) failure by the Company to pay any loan repayments under the Loan Agreement on the dates and in the manner specified therein and the continuation of such failure after the expiration of any grace period applicable to the First Mortgage Bond under the Mortgage (see "THE FIRST MORTGAGE BOND AND THE MORTGAGE – Default and Notice Thereof to First Mortgage Bondholders"); or

(b) failure by the Company to observe and perform any of its Loan Agreement covenants or agreements, other than as referred to in clause (a) above, which shall occur and continue for a period of 60 days after receipt by the Company of written notice from the Authority or the Trustee, specifying such failure and requesting that it be remedied, unless (A) the Authority and the Trustee agree in writing to extend such time prior to its expiration or (B) the failure is such that it can be corrected (but not within such 60 day period) and corrective action is instituted by the Company within such 60-day period and diligently pursued until such failure is corrected; or

(c) the occurrence and continuation of an event of default under the Mortgage; or

(d) the occurrence and continuation of an event of default under the Indenture.

The failure to observe any covenant, agreement or representation referred to in clause (b) above, which failure results in interest on the Bonds becoming includible for federal income tax purposes in the gross income of any owner of a Bond (other than an owner who is a "substantial user" of the Project or a "related person" as defined in Section 103(b)(13) of the 1954 Code) shall not be an event of default under the Loan Agreement, and shall not give rise to any action by any Bondholders for breach of such covenant, agreement or representation so long as the Company is proceeding to redeem the First Mortgage Bond in order to effect the redemption of the Bonds upon a Determination of Taxability as described above (see "THE BONDS – Mandatory Redemption").

The Trustee, as assignee of the Authority and as an owner of the First Mortgage Bond, may, upon the occurrence of any event of default under the Mortgage, shall have the remedies provided in the Mortgage for owners of bonds issued under it. See "THE FIRST MORTGAGE BOND AND THE MORTGAGE – Rights Upon Default."

In addition to such remedies, the Authority (on its behalf and without the consent of the Trustee) or the Trustee, as assignee of certain rights of the Authority, may at any time take action at law or in equity to collect any payments then due, or to enforce performance and observance of any obligation, agreement or covenant of the Company under the Loan Agreement.

Any amounts collected upon an Event of Default under the Loan Agreement will be deposited with the Trustee and applied in accordance with the Indenture.

Amendments

The Loan Agreement may be amended subject to the limitations contained in the Indenture. See "THE INDENTURE — Amendment of the Loan Agreement or First Mortgage Bond."

THE INDENTURE

The following statements with respect to the Indenture are brief summaries of certain provisions thereof and do not purport to be complete; such statements are subject to the detailed provisions of the Indenture, including the definitions of the terms used under this caption. Wherever defined terms of the Indenture are referred to, such defined terms are incorporated herein by reference as part of the statement made, and the statement is qualified in its entirety by such reference.

Pledge and Assignment

To secure the payment of the Bonds, the Authority pledges, assigns and grants a security interest to the Trustee in the following:

- all Revenues, which include all amounts received by the Authority or the Trustee for the account of the Authority pursuant to or with respect to the Loan Agreement, including, without limitation, Loan Repayments, prepayments, insurance proceeds, condemnation proceeds, and all interest, profits, or other income derived from the investment of amounts on any fund or account established pursuant to the Indenture, but not including any Administrative Fees and Expenses or any money required to be deposited in the Rebate Fund or the Purchase Fund,

- any other amounts (including proceeds of the sale of the Bonds) held in any fund or account established pursuant to the Indenture (other than the Purchase Fund and the Rebate Fund) and

- the First Mortgage Bonds

(collectively, such Revenues, other amounts and the First Mortgage Bonds are referred to as the "*Trust Estate*"). In addition, the Authority grants a security interest in and assigns to the Trustee, for the benefit of the Holders from time to time of the Bonds, all of the right, title and interest of the Authority in the Loan Agreement (except for (i) the right to receive any Additional Authority Payments to the extent payable to the Authority under the Loan Agreement, (ii) Unassigned Authority Rights, and (iii) the obligation of the Company to make deposits pursuant to the Tax Certificate and Agreement).

Application of Proceeds

All of the proceeds received by the Authority upon the sale of the Bonds shall be deposited with the Trustee for further deposit with the prior trustee under the Indenture governing the Prior Bonds. Such funds, together with additional amounts deposited with the Prior Trustee by the Company, will be used to provide for the payment of the principal of and premium and accrued interest to the redemption date on the Prior Bonds.

Defaults

Each of the following events will constitute an "*Event of Default*" under the Indenture:

- default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable;

- default in the due and punctual payment of any installment of interest on any Bond when and as the same shall become due and payable;

- default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such default shall have continued for a period of 60 days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee, or to the Authority and the Trustee by the Credit Facility Provider (if any) or the Holders of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding;

- the occurrence of an event of default under the Loan Agreement;

- receipt by the Trustee of written notice from the Credit Facility Provider, if any, that an "Event of Default" (as defined in the Reimbursement Agreement) has occurred under a Reimbursement Agreement (which notice may include a statement that the amount available for interest drawings under the Credit Facility will not be reinstated) and requesting acceleration of the Bonds; or

- a failure to pay the Purchase Price when due.

Remedies and Rights of Bondholders

During the continuance of an Event of Default described in the first four bulleted sentences in the preceding section, unless the principal of all the Bonds shall have already become due and payable, the Trustee upon the written request of the Credit Facility Provider, if any, or the Holders of not less than 66-2/3% in aggregate principal amount of the Bonds at the time Outstanding with the consent of the Credit Facility Provider, if any, or upon the occurrence of an Event of Default described in the fifth and sixth bulleted sentence in the preceding section, the Trustee shall, promptly upon such occurrence, by notice in writing to the Authority, the Company and the Credit Facility Provider, if any, declare the principal of all the Bonds then Outstanding and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding. Upon any such declaration, the Trustee shall promptly draw upon any then existing Credit Facility in accordance with its terms and apply the amount so drawn to pay the principal of and interest on the Bonds enhanced by such Credit Facility so declared to be due and payable. Interest on the Bonds shall cease to accrue as of the date of declaration. The Trustee, as promptly as feasible following acceleration of the Bonds, shall notify the Bondholders of the date of acceleration and the cessation of accrual of interest on the Bonds in the same manner as for a notice of redemption; provided, however, that failure to give such notice shall not affect the acceleration of the Bonds. In the event that the principal of or interest on Bonds shall be paid by the Credit Facility Provider pursuant to the terms of the Credit

Facility (i) the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the Authority to the Bondholders shall continue to exist, such Bonds shall still be considered outstanding and the Credit Facility Provider shall be fully subrogated to all of the rights of such Bondholders in accordance with the foregoing terms and conditions and the provisions of the Credit Facility, and (ii) the Authority will pay to the Credit Facility Provider the principal of and interest on such Bonds, but only from the sources and in the manner provided in the Indenture.

The preceding paragraph, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the money due shall have been obtained or entered as provided, and before any Credit Facility has been drawn upon in accordance with its terms and honored, there shall have been deposited with the Trustee a sum sufficient to pay all the principal of the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal as provided in the Loan Agreement, and the reasonable fees and expenses of the Trustee, including reasonable fees and expenses of its attorneys, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee and the Credit Facility Provider, if any, or provision deemed by the Trustee and the Credit Facility Provider, if any, to be adequate shall have been made therefor, then, and in every such case, the Credit Facility Provider, if any, or the Holders of at least a majority in aggregate principal amount of the Bonds then Outstanding, with the written consent of the Credit Facility Provider, if any, and confirmation that the Credit Facility, if any, has been reinstated to the Required Stated Amount, by written notice to the Authority and to the Trustee, may, on behalf of the Holders of all the Bonds, rescind and annul such declaration and its consequences and waive such default; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon; and provided further that no such recission and annulment shall be permitted with respect to an Event of Default described under the 5th bullet sentence above unless the Credit Facility Provider confirms that, in addition to reinstating the Credit Facility to the Required Stated Amount, that the Credit Facility will not be terminated in accordance with its terms and that the notice of default has been rescinded. Notwithstanding any other provision of the Indenture except as provided in the following sentence, the Trustee may not exercise any remedy in the event of an Event of Default described in the first four bulleted sentences in the preceding section without the written consent of the Credit Facility Provider, if any, so long as the Credit Facility is in effect and the Credit Facility Provider, if any, is not in default under its payment obligations under the Credit Facility. The Trustee may exercise any and all remedies under the Indenture and the Loan Agreement (except acceleration) to collect any fees or expenses due from the Company to the Trustee or the Authority without obtaining the consent of the Credit Facility Provider, if any; provided that the Trustee shall first provide written notice to the Credit Facility Provider, if any, of its intent to exercise such remedies and provide the Credit Facility Provider, if any, with an opportunity to cure any failure of the Company with respect to such fees, expenses and indemnification prior to exercising any such remedy.

The Trustee, as the assignee of certain rights, titles and interests of the Authority in and to the Loan Agreement, may enforce each and every right, title and interest so assigned.

The Trustee may enforce any rights under the Indenture even if it does not possess any of the Bonds or does not produce any of them in the proceeding. No delay or omission by the Trustee, the Credit Facility Provider (if any) or any Bondholder in exercising any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of or acquiescence in any such default. No remedy is exclusive of any other remedy. All available remedies are cumulative.

No Holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust of the Indenture or any other remedy thereunder, unless, among other things, such Holder shall have given to the Trustee written notice of the occurrence of the Event of Default, the Holders of not less than 25% in aggregate principal amount of the Bonds then Outstanding shall have made a written request to the Trustee, either to exercise the powers granted or to institute such action, suit or proceeding and shall have offered to the Trustee proper indemnity, and the Trustee shall for 60 days after such notice, request and offer of indemnity fail or refuse to exercise the powers granted in the Indenture, or to institute such action, suit or proceeding in its own name. Such notification, request and offer of indemnity are conditions precedent to the execution of the powers and trusts of the Indenture, and to any action or cause of action for the enforcement of the Indenture, or for the appointment of a receiver or for any other remedy thereunder. No one or more Holders of the Bonds shall have any right in any manner whatsoever to enforce any right under the Indenture except in the manner therein provided, and all proceedings at law or in equity shall be instituted, had and maintained in the manner provided therein and for the equal and ratable benefit of the Holders of all Bonds then outstanding. Nothing contained in the Indenture shall, however, affect or impair the right of any Bondholder to enforce the payment of the principal of and premium, if any, and interest on any Bond at and after the maturity thereof.

So long as the Credit Facility Provider is not in default under the Credit Facility, the Credit Facility Provider shall be deemed to be the owner of the Bonds for the purpose of all approvals, consents, waivers or institution of any action and the direction of all remedies, except as otherwise provided in the Indenture, including, without limitation, taking any action with respect to the amendment or enforcement of the First Mortgage Bond.

Defeasance

The Bonds may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable under the Indenture on the Bonds by the Authority:

- by paying or causing to be paid the principal or Redemption Price of and interest on the Bonds, as and when the same become due and payable, but, if a Credit Facility which is a letter of credit is in effect, such payment must be made from money paid pursuant to the Credit Facility;

- by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount to pay or redeem all Bonds then Outstanding, but, if a Credit Facility which is a letter of credit is in effect, such payment must be made (or such securities must be provided) from money paid pursuant to the Credit Facility; provided that prior to any such deposit the Trustee shall have received from each Rating Agency then rating the Bonds, written confirmation that such action will not result in a reduction or withdrawal of the ratings on the Bonds; the money or securities so to be deposited or held by the Trustee pursuant to this bulleted sentence shall be:

  - lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity (based on the Maximum Rate for periods for which the actual interest rate is not known), except that, in the case of Bonds that are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount or Redemption Price of such Bonds and all unpaid interest thereon to the redemption date (based on the Maximum Rate for periods for which the actual interest rate is not known); or

  - Investment securities consisting of

    (1) cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in subparagraph (2) below), or

    (2) direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America (not callable by their issuer prior to maturity, unless such call by the issuer was anticipated in the verification report relating to the escrow of which such investment securities are a part),

  the principal of and interest on which when due (without any income from its reinvestment) will provide money sufficient to pay the principal or Redemption Price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed (based on the Maximum Rate for periods for which the actual interest rate is not known), as such principal or Redemption Price and interest become due, provided that, in the case of Bonds that are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by request of the Authority) to apply such money to the payment of such principal or Redemption Price and interest on such Bonds. However, if a Credit Facility then secures the Bonds, such money or investment securities shall be paid from the fund derived from the Credit Facility, if it is a letter of credit.

- by delivering to the Trustee, for cancellation by it, all Bonds then Outstanding.

If the Authority shall also pay or cause to be paid all other sums payable under the Indenture by the Authority and no amounts are owing under the Credit Facility (if any) and such Credit Facility is cancelled, then and in that case, at the election of the Authority (evidenced by a Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Indenture and upon receipt by the Trustee and the Credit Facility Provider (if any) of an Opinion or Opinions of Counsel to the effect that the obligations under the Indenture and the Bonds have been discharged, and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and all covenants, agreements and other obligations of the Authority under the Indenture shall be completely discharged and satisfied, except as otherwise provided in the Indenture.

Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as described above) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Bond shall cease, terminate, become void and be completely discharged and satisfied, except only that thereafter the Holder thereof shall be entitled to payment of the principal or Redemption Price of and interest on such Bond by the Authority and the Authority shall remain liable for such payment, but only out of such money or securities deposited with the Trustee as aforesaid for its payment.

Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture (other than the Purchase Fund and the Rebate Fund).

Notwithstanding any provisions of the Indenture, any money held by the Trustee in trust for the payment of Redemption Price or the principal of, or interest on, any Bonds and remaining unclaimed for four years (or, if less, one day before such moneys would escheat to the State of Illinois under then applicable Illinois law) after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in the Indenture), if that money was so held at such date, or four years (or, if less, one day before moneys would escheat to the State of Illinois under then applicable Illinois law) after the date of deposit of moneys if deposited after the date when all of the Bonds became due and payable, shall be repaid to the Company (unless such moneys are proceeds of the Credit Facility and moneys are owed to the Credit Facility Provider (if any) by the Company, in which event to the Credit Facility Provider (if any)) free from the trusts created by the Indenture upon receipt of an indemnification agreement acceptable to the Trustee indemnifying the Trustee with respect to claims of Holders of Bonds that have not yet been paid, and all liability of the Trustee with respect to that money shall cease; provided, however, that before that repayment of such moneys to the Company or the Credit Facility Provider (if any), the Trustee may (at the cost of the Company) first mail to the Holders of Bonds that have not yet been paid, at the addresses shown on the bond registration books maintained by the Trustee, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Company or the Credit Facility Provider (if any) of the money held for their payment.

Supplemental Indenture

The Indenture may be modified or amended from time to time by the Authority and the Trustee, with notice to and the consent of other parties as provided in the Indenture, without the consent of the Bondholders but with the consent of the Credit Facility Provider, if any, if the Trustee determines that the provisions of the supplemental indenture implementing such modifications and amendments will not materially adversely affect the interests of Holders, including, without limitation, for any one or more of the following purposes:

- to add to the covenants and agreements of the Authority subsequently to be observed, to pledge or assign additional security for the Bonds, or to surrender any right or power in the Indenture reserved to or conferred upon the Authority;

- to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Authority may deem necessary or desirable and not inconsistent with the Indenture;

- to modify, amend or supplement the Indenture in such manner as to permit its qualification under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by such act or similar federal statute;

- to make the Bonds eligible for deposit with any Securities Depository;

- to obtain a rating on the Bonds;

- to conform to the terms and provisions of any liquidity facility delivered pursuant to the Indenture or any Credit Facility; or

- to make any modification or amendment to the Indenture, even if consent of Holders would otherwise be required, (i) if such amendment will be effective upon the remarketing of Bonds following a mandatory purchase, as described above under "THE BONDS – Mandatory Purchase of Bonds" or (ii) with respect to Bonds in a Daily Mode or a Weekly Mode only, if notice of such proposed modification or amendment is given to Holders (in the same manner as notices of redemption are given) at least 15 days before the effective date thereof and on or before such effective date, the Holders have the right to demand purchase of their Bonds as described under "THE BONDS -- Purchase of Bonds on Demand of Owner"; provided, that, on or prior to the effective date of such modification or amendment, the Trustee shall obtain a Favorable Opinion of Bond Counsel.

The Indenture also may be modified or amended from time to time when the written consent of (i) the Credit Facility Provider, if any (so long as the Credit Facility is in effect or any amounts are owing to the Credit Facility Provider, if any, and the Credit Facility Provider, if any, is not then in default under its payment obligations under the Credit Facility), (ii) the Company (provided it is not in default under the Loan Agreement) and (iii) the Holders of a majority in aggregate principal amount of all Bonds then Outstanding (if the Credit Facility is no longer in effect or the Credit Facility Provider, if any, is then in default under its payment obligations under the Credit Facility), shall have been filed with the Trustee. No such modification or amendment shall:

- extend the fixed maturity of any Bond, or reduce the amount of principal, or change the method of computing the rate of interest, or extend the time of payment of interest, or reduce any premium payable upon redemption, without the consent of the Holder of each Bond so affected, or

- reduce the percentage of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture, or deprive the Holders of the Bonds of the lien created by the Indenture on such Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Holders of all of the Bonds then Outstanding, or

- modify any of the rights or obligations of the Trustee without its prior written consent; nor shall the Trustee be required to consent to any such amendment that adversely affects its rights or obligations under the Indenture or under the Loan Agreement, the Credit Facility or the Remarketing Agreement.

It shall not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the Authority and the Trustee of any Supplemental Indenture described in this paragraph, the Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Indenture, to each Rating Agency then rating the Bonds, to the Credit Facility Provider, if any, the Company and to the Holders of the Bonds at the addresses shown on the bond registration books of the Trustee. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

Amendment of the Loan Agreement or First Mortgage Bond

The Loan Agreement or the First Mortgage Bond may be amended with the prior written consent of the Trustee and the Credit Facility Provider, but without the consent of or a notice to any of the Holders, or the Authority and the Company may consent to the amendment or modification thereof in any manner not inconsistent with the terms and provisions of the Indenture for any one or more of the following purposes:

- to cure any ambiguity or formal defect in the Loan Agreement or the First Mortgage Bond;

- to grant to or confer upon the Authority or Trustee, for the benefit of the Holders, any additional rights, remedies, powers or authorities that lawfully may be granted to or conferred upon the Authority or the Trustee;

- to amend or modify the Loan Agreement, or any part thereof, in any manner specifically required or permitted by the terms thereof, including, without limitation, as may be necessary to maintain the exclusion from gross income for purposes of federal income taxation of the interest on the Bonds;

- to provide that Bonds may be secured by a Credit Facility or other additional security not otherwise provided for in the Indenture or the Loan Agreement;

- to modify, amend or supplement the Loan Agreement, or any part thereof, or any supplement thereto, in such manner as the Trustee, the Company and the Remarketing Agent deem necessary in order to comply with any statute, regulation, judicial decision or other law relating to secondary market disclosure requirements with respect to tax-exempt obligations of the type that includes the Bonds;

- to provide for the appointment of a successor Securities Depository;

- to provide for the availability of certificated Bonds;

- to provide for the addition of any interest rate mode, or to provide for the modification or deletion of any interest rate mode so long as no Bonds will be operating in the interest rate mode when it is to be so modified or deleted, or to amend, modify or alter the interest rate setting provisions, tender provision or conversion provisions for any then existing interest rate mode so long as no Bonds will be operating in the interest mode when such provisions are to be so amended, modified or altered;

- to provide for the appointment of a liquidity provider and the application of a liquidity facility as described in the Indenture;

provided that, in each case, there is delivered to the Trustee an Opinion of Bond Counsel stating that any such addition, deletion, amendment, modification or alteration will not adversely affect any exclusion from gross income for purposes of federal income taxation of interest on the Bonds. In addition, the Loan Agreement or the First Mortgage Bond may be amended with the written consent of the Trustee and the Credit Facility Provider, but without the consent of or a notice to any of the Holders, to make any other change which does not, in the opinion of the Trustee, have a material adverse effect upon the interests of the Holders.

In addition, the Trustee may, with the consent of the Credit Facility Provider, if any, grant such waivers of compliance by the Company with the provisions of the Loan Agreement as to which the Trustee may deem necessary or desirable to effectuate the purposes or the intent of the Loan Agreement and which, in the opinion of the Trustee, do not have a material adverse effect upon the interests of the Bondholders, provided that the Trustee shall file with the Authority any and all such waivers granted by the Trustee within three business days thereof.

The Indenture provides that the Bonds are initially secured by the Initial Credit Facility and no separate facility providing for the payment of the Purchase Price of Bonds tendered and not remarketed is required. If a Substitute Credit Facility is delivered that does not include provision for the payment of the Purchase Price of unremarketed Bonds, and if the Bonds are in a Mode in which the Bonds may be tendered for purchase, the Indenture and the Loan Agreement may be amended by the Authority upon the request of the Company to provide for a liquidity facility for the Bonds in addition to such Substitute Credit Facility. No consent shall be required of the Bondholders to any such amendment.

The Trustee

Except during the continuance of an Event of Default, the Trustee will undertake to perform such duties and only such duties as are specifically set forth in the Indenture. During the existence of any Event of Default (that has not been cured), the Trustee shall exercise such rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

The Trustee may at any time resign by giving written notice to the Authority, the Company, the Credit Facility Provider (if any), the Remarketing Agent (if any) and the Holder of each Bond. Such resignation will only take effect upon the acceptance of appointment by a successor trustee. The Authority may, and upon written request of the Company shall, remove the Trustee at any time unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with the provisions of the Indenture, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee, and thereupon shall appoint, with the written consent of the Company, a successor Trustee by an instrument in writing. In each case, such removal will only take effect upon the acceptance of appointment of the successor trustee. Notwithstanding any other provision of the Indenture to the contrary, no removal, resignation or termination of the Trustee may take effect until a successor trustee has accepted appointment.

The Trustee must at all times be a trust company or bank having the powers of a trust company in the State of Illinois, having a combined capital and surplus of at least $50,000,000, and subject to supervision or examination by federal or state authority, and having an office in Illinois.

CONTINUING DISCLOSURE

In accordance with the requirements of Rule 15c2-12 (the "*Rule*") promulgated by the Commission, the Company will covenant in a Continuing Disclosure Agreement (the "*Continuing Disclosure Agreement*") for the benefit of the Holders and Beneficial Owners from time to time of the Bonds, to take the following actions:

- The Company will:

    - file annual reports on Form 10-K as required under Sections 13 or 15(d) of the Exchange Act, or

    - if the Company is not required to file a Form 10-K under the Exchange Act at any time during the term of the Bonds, provide to each nationally recognized municipal securities information repository ("*NRMSIR*") and to each state information depository, if any, for the State of Illinois (none currently exists) (the "*SID*"), in each case as designated by the Commission in accordance with the Rule, (1) certain financial and operating data relating to the Company and comparable to certain information contained in a Form 10-K and (2) audited financial statements prepared in accordance with generally accepted accounting principles, in each case not later than 120 days after the end of the Company's fiscal year (the "*Annual Report*");

- The Company will provide, in a timely manner, to each NRMSIR and the SID, if any, notice of failure of the Company to provide any Annual Report on or before the date specified in the Continuing Disclosure Agreement.

- The Company will provide, in a timely manner, to each NRMSIR and the SID, if any, notice of the occurrence of any of the following events with respect to the Bonds, if material: (i) principal and interest payment delinquencies, (ii) non-payment related defaults, (iii) any unscheduled draws on debt service reserves reflecting financial difficulties, (iv) any unscheduled draws on credit enhancements reflecting financial difficulties, (v) substitution of credit or liquidity providers, or their failure to perform, (vi) adverse tax opinions or events affecting the tax-exempt status of the Bonds, (vii) modifications to rights of Holders or Beneficial Owners of the Bonds, (viii) the giving of notice of optional or unscheduled redemption of any Bonds, (ix) defeasance of the Bonds or any portion thereof, (x) release, substitution, or sale of property securing repayment of the Bonds; and (xi) rating changes with respect to the Bonds.

These covenants have been made in order to assist the Underwriters in complying with the Rule.

The Company may modify from time to time the specific types of information provided or the format of the presentation of such information, as a result of change in its legal requirements or change in the nature of the Company; *provided* that any such modification will be done in a manner consistent with the Rule and will not, in the opinion of the Trustee (who may rely on an opinion of counsel), materially impair the interests of the holders of the Bonds.

The Company acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of each holder of the Bonds. Breach of the undertaking will not constitute a default with respect to the Bonds or the First Mortgage Bond or under the Indenture, the Mortgage or the Loan Agreement, but the undertaking may be enforced by any Beneficial Owner of the Bonds by an action for specific performance. Beneficial Owners of Bonds may wish to file their names and addresses with the Trustee for the purposes of receiving notices or giving direction under the Continuing Disclosure Agreement.

Any individual Holder or Beneficial Owner may institute and maintain, or cause to be instituted and maintained, such proceedings to require the Company to comply with any provision of the Continuing Disclosure Agreement. Any such proceedings (including any proceeding that contests the sufficiency of the information provided by the Company in accordance with the Continuing Disclosure Agreement) may be instituted and maintained only by the Holders and Beneficial Owners of not less than 25% in aggregate principal amount of the Bonds then outstanding or their agent.

The Continuing Disclosure Agreement will remain in effect only for such period that any of the Bonds are outstanding in accordance with their terms and the Company remains an obligated person with respect to the Bonds within the meaning of the Rule.

The Company is in compliance with all of its previous continuing disclosure undertakings.

LITIGATION

The Authority

There is no pending (as to which the Authority has received service of process) or, to the knowledge of the Authority, threatened litigation against the Authority that in any way questions or materially affects the validity of the Bonds, the validity or enforceability of the Loan Agreement or the Indenture or any proceedings or transactions relating to the issuance, sale or delivery of the Bonds or that may materially adversely affect the refunding of the Prior Bonds.

The Company

There is no pending (as to which the Company has received service of process) or, to the knowledge of the Company, threatened litigation against the Company: (i) that in any way questions or materially affects the validity of the Bonds or the First Mortgage Bond, the validity or enforceability of the Loan Agreement or the Indenture or any proceedings or transactions relating to the issuance, sale or delivery of the Bonds or that may materially adversely affect the refunding of the Prior Bonds; or (ii) in which the Company's management believes an adverse determination is likely that would have a materially adverse effect on the financial position of the Company.

UNDERWRITING

Banc of America Securities LLC and Loop Capital Markets, LLC (the *"Underwriters"*) will agree, subject to certain conditions, to purchase the Bonds at a price equal to 100% of the principal amount thereof. The Company will pay the Underwriters a fee of $124,575 for their services as underwriters for the Bonds. The Underwriters may offer and sell the Bonds to certain dealers and others at a price lower than the offering price stated on the cover page hereof, and the offering price set forth on the cover page may be changed after the initial offering by the Underwriters.

The Purchase Contract among the Authority, the Company and the Underwriters will provide that the Underwriters will purchase all of the Bonds if any of the Bonds are purchased. The Company will agree in the Purchase Contract to indemnify the Underwriters and the Authority against certain liabilities, or to contribute to any payments required to be made by the Underwriters relating to such liabilities, including liabilities under the federal securities laws.

In the ordinary course of its business, the Underwriters and some of their affiliates have engaged and, in the future, may engage in investment banking and/or commercial banking transactions with the Company and its affiliates.

TAX EXEMPTION

The Internal Revenue Code of 1986, as amended (the "*Code*"), and the Internal Revenue Code of 1954, as amended (the "*1954 Code*"), contain a number of requirements and restrictions which apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of Bond proceeds and the facilities financed or refinanced therewith and certain other matters. The Authority and the Company have covenanted to comply with all requirements of the Code and the 1954 Code that must be satisfied in order for the interest on the Bonds to be excludible from gross income. Failure to comply with certain of such covenants could cause interest on the Bonds to become includible in gross income retroactive to the date of issuance of the Bonds.

Subject to the condition that the Authority and the Company comply with the above-referenced covenants, in the opinion of Bond Counsel, under present law, interest on the Bonds will not be includible in the gross income of the owners thereof for federal income tax purposes except for interest on any Bond for any period during which the Bond is owned by a person who is a substantial user of the Project or any person considered to be related to such a person (within the meaning of Section 103(b)(13) of the 1954 Code). Bond Counsel is further of the opinion that interest on the Bonds will not be treated as an item of tax preference in computing the alternative minimum tax for individuals and corporations. Interest on the Bonds will be taken into account, however, in computing an adjustment used in determining the alternative minimum tax for certain corporations.

In rendering its opinion, Bond Counsel will rely upon certificates of the Authority and the Company with respect to certain material facts solely within the Authority's and the Company's knowledge relating to the property financed or refinanced with the proceeds of the Bonds and the application of the proceeds of the Bonds.

Certain requirements and procedures contained or referred to in the Indenture, the Loan Agreement, the Tax Agreement and other relevant documents may be changed and certain actions (including, without limitation, conversion of the interest mode on the Bonds and defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel does not express any opinion as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Foley & Lardner LLP.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect an Owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Owner or the Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Bond Counsel's opinion is based on existing law, which is subject to change. Such opinion is further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel has not verified these representations by independent investigation. Bond Counsel does not purport to be an expert in financial analysis, financial projections or similar disciplines. Failure of any of these factual representations to be correct may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in law that may thereafter occur or become effective. The opinion of Bond Counsel expresses the professional judgment of Bond Counsel regarding the legal issues expressly addressed therein. By rendering its legal opinion, Bond Counsel does not become an insurer or guarantor of the result indicated by that expression of professional judgment, of the transaction on which the opinion is rendered or of the future performance of the parties to the transaction. Nor does the rendering of the opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Bond Counsel gives no assurance that any future legislation or clarifications or amendments to the Code or to state law, if enacted into law, will not cause the interest on the Bonds to be subject, directly or indirectly, to federal or state income taxation, or otherwise prevent the Owners from realizing the full current benefit of the tax status of the interest on the Bonds. Prospective purchasers of the Bonds are encouraged to consult their own tax advisors regarding any pending federal or state legislation, as to which Bond Counsel expresses no view.

Bond Counsel is not obligated to defend the Authority or the Company, regarding the tax-exempt status of the Bonds in the event of an examination by the IRS. Under current IRS procedures, the Owners and other parties other than each the Issuer would have little, if any, right to participate in an IRS examination of the Bonds. Moreover, because obtaining judicial review in connection with an IRS examination of tax-exempt bonds is difficult, obtaining independent review of IRS positions with which the Authority or the Company legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for examination, or the course or result of such an examination, or an examination of bonds presenting similar tax issues may affect the market price, or the marketability, of the Bonds, and may cause the Authority, the Company or the Owners to incur significant expense.

Section 6049 of the Code requires information reporting for payments of tax-exempt interest, applicable to interest paid after December 31, 2005. The IRS has published transitional guidance for information reporting requirements for payments of interest on tax-exempt bonds, including circumstances under which "backup withholding" may be required.

Interest on the Bonds is not exempt from present State of Illinois income taxes.

The Bonds are being issued by the Authority to refund the Prior Bonds.

CERTAIN LEGAL MATTERS

The issuance of the Bonds is subject to the approving legal opinion of Foley & Lardner LLP, Chicago, Illinois, as Bond Counsel ("*Bond Counsel*") which has been retained by the Company, and the Underwriters' obligations to purchase the Bonds are subject to the issuance of Bond Counsel's approving opinion with respect thereto. Bond Counsel has not been retained or consulted on disclosures matters and has not undertaken to review or verify the accuracy, completeness or sufficiency of this Official Statement or other offering material related to the Bonds. Bond Counsel assumes no responsibility for the statements or information contained in or incorporated by reference in this Official Statement except that in its capacity as Bond Counsel, Foley & Lardner LLP, at the request of the Underwriters, has reviewed the statements under the captions "THE BONDS" (other than under the subcaption "Book-Entry System"), "THE LOAN AGREEMENT" and "THE INDENTURE" in this Official Statement solely to determine if those statements accurately summarize the portions of those documents that are so summarized. Bond Counsel has also reviewed the statements under the caption "TAX EXEMPTION" solely to determine whether the reviewed statements are accurate. Such review was undertaken solely at the request and for the benefit of the Underwriters. Foley & Lardner LLP provides legal services to Exelon Corporation and its subsidiaries, including the Company, from time to time.

Certain legal matters will be passed upon for the Company by its counsel, Sidley Austin LLP. Certain legal matters will be passed upon for the Authority by its counsel, Kevin M. Cahill, Esquire. Certain legal matters will be passed upon for the Underwriters by their counsel, Winston & Strawn LLP. Winston & Strawn LLP provides legal services to Exelon Corporation and its subsidiaries, including the Company, from time to time.

RELATIONSHIP OF PARTIES

The Mortgage Trustee is an affiliate of The Bank of New York Trust Company, N.A., the Trustee under the Indenture.

MISCELLANEOUS

The attached Appendices (including the documents incorporated by reference therein) are an integral part of this Official Statement and must be read together with the balance of this Official Statement.

The distribution of this Official Statement has been duly authorized by the Authority. The Authority neither has nor assumes, however, any responsibility for the accuracy or completeness of any information contained herein (other than under "THE AUTHORITY" and "LITIGATION — The Authority") or in the Appendices hereto, all of which has been furnished by others.

Commonwealth Edison Company
Schedule D-7 Embedded Cost Of Long Term Debt
Years 2006 - 2010
(In Dollars)

Line No.	Description	FERC Form 1 Source	12/31/10	12/31/09	12/31/08	12/31/07	12/31/06
	(A)	(B)	(C)	(D)	(E)	(F)	(G)
1	Long-Term Debt Outstanding CR / (DR)						
2	Long-Term Debt Outstanding (Accts 221 - 224)	p. 112, l. 18 - 21	$5,231,216,000	$4,944,016,000	$4,961,116,000	$4,809,511,132	$4,605,295,468
3	Unamortized Premium on Long-Term Debt (Acct 225)	p. 112, l. 22	1,761,174	2,357,857	2,954,541	3,716,767	4,905,478
4	Unamortized Discount on Long-Term Debt (Acct 226)	p. 112, l. 23	(25,787,502)	(28,842,483)	(32,015,129)	(32,567,402)	(22,003,728)
5	Unamortized Gain on Reacquired Debt (Acct 257)	p. 113	54,580	78,436	102,292	126,147	150,004
6	Unamortized Loss on Reacquired Debt (Acct 189)	p. 111	89,630,249	(109,689,181)	(128,874,467)	(134,194,591)	(157,056,760)
7	Loss on Settled Cash Flow Swaps (Acct 182.3)	p. 232, l. 8	(18,411,455)	(16,084,155)	(17,827,158)	(19,722,147)	(25,112,842)
8	Gain on Settled Cash Flow Swaps (Acct 254)	p. 278, l. 3	158,484	496,562	1,291,060	2,085,558	2,880,057
9	Unamortized Debt Expenses (Acct 181)	p. 111	(27,238,293)	(26,404,295)	(30,541,677)	(26,036,018)	(22,718,635)
10	Net Long-Term Debt Outstanding		$5,251,383,237	$4,765,928,741	$4,756,205,462	$4,602,919,446	$4,386,339,042
11	Cost of Long-Term Debt DR / (CR)		2010	2009	2008	2007	2006
12	Interest on Long-Term Debt (Acct 427 / 430)	p. 256 - 257, col. (I)	$ 288,723,797	$ 284,485,024	$ 297,945,717	$ 266,378,325	$ 251,853,367
13	Amortization of Debt Discount and Expense (Acct 428)	p. 117, l. 63	9,853,063	7,694,546	7,521,711	6,282,067	5,280,739
14	Amortization of Loss on Reacquired Debt (Acct 428.1)	p. 117, l. 64	20,058,932	20,975,813	21,113,675	22,862,169	10,155,435
15	Amortization of Premium on Debt (Acct 429)	p. 117, l. 65	(596,683)	(596,683)	(762,226)	(1,188,711)	(6,985,965)
16	Amortization of Gain on Reacquired Debt (Acct 429.1)	p. 117, l. 66	(23,856)	(23,856)	(23,856)	(23,856)	(23,856)
17	Total Cost of Long-Term Debt		$ 318,015,253	$ 312,534,844	$ 325,795,021	$ 294,309,994	$ 260,279,720
18	Embedded Cost of Long-Term Debt Rate (l. 18 / l. 11) (1)		6.37%	6.56%	6.85%	6.39%	5.93%

Note:
(1) 2010 Embedded Cost of Long Term Debt from Schedule D-3. For prior years, data is not meaningful for ratemaking purposes.

Commonwealth Edison Company
Schedule D-7 - Estimated Return on Rate Base (1)
Years 2006 - 2010
(In Dollars)

Witness: Fruehe

Line No.	Description	FERC Form 1 Source	2010	2009	2008	2007	2006
	(A)	(B)	(C)	(D)	(E)	(F)	(G)
1	Rate Base (Unadjusted) (1)						
2	Plant in Service	p. 200, l. 3	$17,565,228,096	$16,769,888,224	$15,721,848,630	$15,120,680,377	$14,629,378,234
3	Completed Construction Not Classified	p. 200, l. 6	384,942,681	521,097,224	900,608,799	639,891,325	409,703,000
4	Accumulated Depreciation	p. 200, l. 22	(6,843,280,703)	(6,604,819,219)	(6,302,046,814)	(6,193,576,495)	(5,944,811,970)
5	Net Utility Plant (2)		11,106,890,074	10,686,166,229	10,320,410,615	9,566,995,207	9,094,269,264
6	Plant Materials and Supplies (Acct 154)	p. 110	71,908,090	71,325,663	74,958,501	74,376,591	82,442,648
7	Stores Expense Undistributed (Acct 163)	p. 111	-	-	-	-	-
8	Fuel (Acct 151 - 152)	p. 110	-	-	-	-	-
9	Property Held For Future Use	p. 214	35,369,141	31,532,390	32,004,439	39,110,363	32,811,503
10	Other Regulatory Assets (Acct 182.3) -						
11	Recoverable Transition Costs	p. 232	-	-	-	-	-
12	Capitalized Incentive - March 2003 Agreement	p. 232	8,439,273	8,680,760	8,922,247	9,177,325	9,432,402
13	Unrecovered Nuclear Decommissioning Costs	p. 232	-	-	-	-	-
14	Accumulated Deferred Income Taxes (Acct 190)	p. 111	343,318,321	323,016,420	309,948,557	285,308,691	278,841,466
15	Pension Asset (Acct 186)	p. 233	1,038,782,729	907,476,041	846,938,710	875,240,245	913,785,454
16	RTO Start-up Costs (Acct 186)	p. 233	-	-	-	-	1,364,403
17	Operating Reserves (Acct 228)						
18	Accum Prov for Injuries & Damages (Acct 228.2)	p. 112	(53,669,501)	(53,027,607)	(63,307,496)	(71,680,696)	(63,468,250)
19	Accum Prov for Pensions & Benefits (Acct 228.3)	p. 112	(314,601,906)	(288,328,057)	(249,387,659)	(228,589,901)	(211,910,759)
20	Accum Misc Operating Provisions (Acct 228.4)	p. 112	(120,561,389)	(112,648,855)	(89,079,873)	(76,919,535)	(57,647,789)
21	Asset Retirement Obligations (Acct 230)	p. 112	(104,935,733)	(94,708,077)	(173,970,921)	(163,467,199)	(156,475,418)
22	Customer Advances for Construction (Acct 252)	p. 113	(60,282,885)	(70,836,167)	(64,299,068)	(50,753,270)	(25,486,360)
23	Accumulated Deferred ITC's (Acct 255)	p. 113	(28,965,908)	(31,714,677)	(34,532,793)	(37,360,937)	(40,200,989)
24	Accumulated Deferred Income Taxes (Accts 281 - 283)	p. 113	(3,578,903,968)	(3,056,518,743)	(2,730,923,946)	(2,599,270,585)	(2,519,590,869)
25	Remove Accum Def Taxes on Like-Kind Exchange	(3)	343,784,338	356,260,813	368,737,288	381,213,762	393,690,237
26	Net Rate Base (Unadjusted)	(1)	$ 8,686,570,676	$ 8,676,676,133 (1)	$ 8,556,418,601 (1)	$ 8,003,380,061 (1)	$ 7,731,856,943 (1)

Notes:
(1) Amounts based on FERC Form 1 reported data and do not reflect all rate making adjustments necessary for establishing a jurisdictional revenue requirement.
(2) Excludes goodwill (Plant Acquisition Adjs - Accts 114 and 115) and CWIP (Acct 107).
(3) See Schedule B-9, Page 2, Line 19.

FitchRatings

Fitch Affirms Ratings of Exelon and Subs Ratings

24 Jan 2011 12:56 PM (EST)

Fitch Ratings-New York-24 January 2011: Fitch Ratings has affirmed the Issuer Default Ratings (IDR) and instrument ratings of Exelon Corp. (EXC), and subsidiaries Exelon Generation Company, LLC (ExGen), Commonwealth Edison Company (ComEd) and PECO Energy Company (PECO). Fitch has also assigned a new (implied) senior unsecured debt rating to PECO. The Rating Outlook for all entities is Stable. See the full list of rating actions at the end of this release.

EXC's ratings reflect the company's sound consolidated financial profile, the credit quality and earnings capacity of its largest subsidiary and primary source of cash flow, ExGen, which operates a low variable cost and low emission competitive electric generation business, the earnings stability of its two regulated utility subsidiaries, PECO and ComEd, neither of which bear any commodity price exposure, and disciplined financial management as evidenced by the recent decision to use cash generated by the extension of bonus depreciation under H.B. 4853 to invest $2.1 billion in its pension fund. EXC expects to generate about $1 billion of cash through the accelerated depreciation provision and an additional $750 million from the tax benefits of making the pension contributions. The pension contribution meaningfully reduces pension funding requirements in 2012 and 2013.

Primary credit concerns are Fitch's expectation for the continued compression in profit margins and cash flow at ExGen due to low gas and power prices and an overhang of excess generating capacity in most regions of the U.S. over the next several years and the outcome of a pending ComEd rate case. Favorably, PECO implemented electric and gas distribution rate increases aggregating $245 million effective Jan. 1, 2011. Given the expected decline in profit margins at ExGen, Fitch expects consolidated leverage, cash flow and interest coverage measures to weaken over the next several years, but remain supportive of existing ratings. Over the next three years consolidated leverage (debt/EBITDA) is expected to range between 2.25 times (x)-2.75x compared to 1.9x as of Sept. 30, 2010; interest coverage (EBITDA/interest) over the same period is expected to be about 7x compared to 7.7x for the 12 months ended Sept. 30, 2010.

The ratings of ExGen reflect its favorable competitive position, credit ratios that are superior to its peer group of competitive generating companies and Fitch's guidelines for companies with similar risk profiles, and expectations of declining profit margins over the next several years. The ratings also consider the strong liquidity provided by ExGen's $4.8 billion bank credit facility, which matures in 2012. Financial measures weakened in 2010 due primarily to a decline in natural gas and power prices and lower electricity demand. Based on current forward power prices and existing hedges as well as the additional leverage from the debt financed acquisition of John Deere Renewables in December 2010, credit measures are likely to continue to trend downward, but should remain supportive of existing ratings given the headroom provided by Exgen's currently low leverage and strong interest coverage measures.

Approximately 80% of ExGen's electricity production is derived from base-load nuclear generating facilities that are low on the dispatch curve and stand to benefit from any new legislation limiting greenhouse gas emissions or stricter Environmental Protection Agency (EPA) air regulations that impose additional costs on coal-fired plants. Rising capital expenditures associated discretionary nuclear uprate program should be financed with a combination of internally generated sources and short- and long-term debt.

ComEd's ratings reflect leverage and coverage measures that are consistent with Fitch's target financial ratios for 'BBB-' rated companies and its peer group of electric distribution utilities with similar ratings and risk profiles. The ratings also benefit from the absence of any commodity cost exposure and the company's strong liquidity position. Fitch estimates that 2010 earnings and cash flow measures were relatively unchanged from 2009, despite a modest increase in debt and interest expense. In 2010, financial results benefited from favorable weather conditions and the recovery of uncollectible expenses as permitted under a new rider mechanism. Through Sept. 30, 2010 electric delivery sales increased 6.4%, including a 13.4% increase in sales to high-margin residential customers as cooling degree days nearly doubled compared to 2009. The recovery of uncollectible expense increased revenue by approximately $36 million through Sept. 30, 2010. Financial improvement in 2011 is dependent on the outcome of ComEd's pending $326 million rate increase request (reflecting certain adjustments from its original request of $396 million) filed with the Illinois Commerce Commission (ICC) in June 2010. The ICC staff recommended a $116 million increase based on a 10% return on equity (ROE). A final order is expected by May 2011 with new rates to be effective in June 2011. In addition to the outcome of the pending rate case, credit concerns include the ultimate resolution of a tax dispute with the Internal Revenue Service (IRS) related to the Like Kind Exchange provision of the IRS code. EXC and ComEd reached a non-binding settlement of a separate IRS dispute related to the Involuntary Conversion provision of the IRS code in 2010. As of Sept. 30, 2010, ComEd's exposure related to the Like Kind Exchange issue, exclusive of penalties ($86 million), and assuming finalization of the involuntary conversion settlement, is approximately $540 million. The company is litigating the matter and a resolution is not expected for several years.

The PECO rating reflects strong credit measures that are at the upper end of PECO's peer group of distribution utilities and

Fitch's guidelines for 'BBB+' companies with similar risk profiles, as well as regulatory provisions that lessen the impact of planned capital expenditures for the installation of smart meters/smart grid as required by Pennsylvania Act 129. The Act 129 legislation provides for recovery of smart meter costs through an annual surcharge, including a return on capital investment. On Dec. 16, 2010, The Pennsylvania Public Utility Commission (PUC) approved a joint settlement agreement of PECO's proposed electric and natural gas distribution rate increases that will benefit earnings and cash flow in 2011. The approved settlement provides for a $225 million increase in electric rates, which is approximately 71% of the $316 million originally requested, and a $20 million increase in natural gas rates, or approximately 46% of the $44 million originally requested. The new rates became effective Jan. 1, 2011.

Fitch affirms the following ratings:

Exelon Corp.
--IDR at 'BBB+';
--Senior unsecured debt at 'BBB+';
--Commercial paper at 'F2';
--Short-term IDR at 'F2'.

Exelon Generation Co., LLC
--IDR at 'BBB+';
--Senior unsecured debt at 'BBB+';
--Commercial paper 'F2';
--Short-term IDR 'F2'.

Commonwealth Edison Company
--IDR'BBB-;
--First mortgage bonds 'BBB+';
--Senior unsecured debt 'BBB';
--Preferred stock to 'BB+';
--Short-term IDR 'F3';
--Commercial paper at 'F3'.

ComEd Financing Trust III
--Preferred stock at 'BB+'.

PECO Energy Co.
--IDR 'BBB+';
--First mortgage bonds and pollution control revenues bonds at 'A';
--Preferred stock at 'BBB';
--Commercial paper at 'F2';
--Short-term IDR at 'F2'.

PECO Energy Capital Trust III
--Preferred stock 'BBB'.

PECO Energy Capital Trust IV
--Preferred stock at 'BBB'.

Fitch assigns the following rating:

PECO Energy Co.
--Senior unsecured debt (implied) 'A-';

Contact:
Primary Analyst
Robert Hornick
Senior Director
+1-212-908-0523
One State Street Plaza
New York, NY 10004

Secondary Analyst
Karen Anderson
Senior Director

+1-312-368-3165

Committee Chairperson
Ellen Lapson
Managing Director
+1-212-908-0504

Media Relations: Cindy Stoller, New York, Tel: +1 212 908 0526, Email: cindy.stoller@fitchratings.com.

Additional information is available at 'www.fitchratings.com'.

Applicable criteria and Relevant Research:
--'Corporate Rating Methodology' (Nov. 24, 2009);
--'Credit Rating Guidelines for Regulated utility Companies' (July 31, 2007);
--'U.S. Power and Gas Comparative Operating Risk (COR) Evaluation and Financial Guidelines' (Aug. 22, 2007).

Applicable Criteria and Related Research:
U.S. Power and Gas Comparative Operating Risk (COR) Evaluation and Financial Guidelines
Credit Rating Guidelines for Regulated Utility Companies
Corporate Rating Methodology

FitchRatings

Fitch Rates Comed's First Mortgage Bonds 'BBB+' Ratings

11 Jan 2011 11:24 AM (EST)

Fitch Ratings-New York-11 January 2011: Fitch Ratings has assigned a 'BBB+' rating to Commonwealth Edison Company's (Comed) $600 million issue of 1.625% first mortgage bonds, series 110 due Jan. 15, 2014. The Rating Outlook is Stable. Net proceeds will be used as an interim source of liquidity for a planned pension contribution ahead of expected tax receipts from both the pension contribution and the extension of bonus depreciation and for general corporate purposes.

The ratings reflect sound financial measures that are comparable to Comed's peer group of electric distribution utilities with similar ratings and risk profiles, the absence of commodity price exposure and a diverse customer base that limits exposure to any single industry. Credit quality also benefits from legislation in Illinois that provides utilities the ability to adjust their rates annually, through a rider mechanism, to reflect increases or decreases in annual uncollectible accounts. Capital expenditures are rising, but remain manageable and should be funded with modest amounts of external financing.

Credit concerns include the uncertain outcome in the company's pending rate case and the ultimate cost of resolving an IRS tax dispute.

On June 30, 2010, Comed filed a request with the Illinois Commerce Commission (ICC) for a $396 million (7%) rate increase based on an 11.5% return on equity. A final ICC decision on the rate request is required no later than June 2011. The rate request seeks recovery of capital investments made since 2007 and increased operating expenses, including higher pension and post retirement benefit costs. Taking into account a recent court decision regarding the treatment of accumulated depreciation related to post-test year plant additions, would reduce the revenue requirement by approximately $85 million. The continuation of bonus depreciation under H.R. 4853 would further reduce the revenue requirement.

Contact:

Primary Analyst
Robert Hornick
Senior Director
+1-212-908-0523
Fitch, Inc.
One State Street Plaza
New York, NY 10004

Secondary Analyst
Karen Anderson
Senior Director
+1-312-368-3165

Committee Chairperson
Sharon Bonelli
Managing Director
+1-212-908-0581

Media Relations: Cindy Stoller, New York, Tel: +1 212 908 0526, Email: cindy.stoller@fitchratings.com.

Additional information is available at 'www.fitchratings.com'.

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--'Credit Rating Guidelines for Regulated utility Companies' (July 31, 2007)
--'U.S. Power and Gas Comparative Operating Risk (COR) Evaluation and Financial Guidelines' (Aug. 22, 2007)

Applicable Criteria and Related Research:
Corporate Rating Methodology
Credit Rating Guidelines for Regulated Utility Companies
U.S. Power and Gas Comparative Operating Risk (COR) Evaluation and Financial Guidelines

FitchRatings

Fitch Affirms Ratings of Exelon & Constellation Following Merger Announcement

Ratings
28 Apr 2011 11:12 AM (EDT)

Fitch Ratings-New York-28 April 2011: Fitch Ratings has affirmed the Issuer Default Ratings (IDR) and instrument ratings of Exelon Corp. (EXC) and Constellation Energy Group, Inc. (CEG) and each of their subsidiaries following the announcement of a stock for stock merger agreement. The Rating Outlook for all entities is Stable. A full list of rating actions appears at the end of this release.

The EXC ratings affirmation reflects the stock for stock nature of the transaction which results in a post merger consolidated credit profile that is only moderately weaker than its standalone credit profile and, based on EXC's business risk, supportive of the existing ratings. EXC's overall business risk will remain relatively unchanged, with regulated earnings contributing nearly half of projected 2012 EBITDA as either a standalone or combined entity.

The primary change from the EXC perspective is the addition of CEG's retail energy marketing business. CEG has operated this business for several years and demonstrated capable risk management practices. The wholesale/retail combination is expected to reduce liquidity needs and the associated costs primarily reflecting a decline in margining requirements from matching EXC's generation position and CEG's load serving business. The addition of CEG's retail energy business complements the cash flow of EXC's wholesale generation business; high wholesale power prices result in wider margins and greater cash flow for the larger generation segment and compressed margins for the retail segment and vice versa.

The post-merger credit profile of EXC's wholesale generation subsidiary, Exelon Generation Company, LLC (Exgen), will also weaken but remain supportive of the current ratings due to the headroom provided by its currently low leverage and strong interest coverage measures. The post merger down trend reflects the additional leverage of Constellation Energy Group, Inc. (CEG), which under the proposed corporate structure will be positioned as a subsidiary of Exgen.

Fitch estimates a decline in pro forma EBITDA for CEG due to the proposed divestiture of generation capacity to mitigate market power issues and the internal transfer of Baltimore Gas and Electric Company (BG&E). Nonetheless, credit metrics remain in line with Fitch's guideline ratios for a 'BBB-' rated issuer. Fitch has noted in the past that CEG's credit metrics were robust with respect to its risk profile and rating category.

CEG's business risk profile post merger is modestly weaker since BG&E will no longer operate as its wholly owned subsidiary. BG&E accounted for roughly one-third of CEG's consolidated EBIT and, despite its ring-fenced structure and limited upstream dividend projections, provided a relatively stable and predictable mix to the consolidated operations. Conversely, post merger CEG will benefit from being a subsidiary of a better capitalized parent (Exelon Generation Company, LLC).

The ratings of regulated subsidiaries Commonwealth Edison Company, PECO Energy Company and Baltimore Gas and Electric Company are unaffected by the proposed merger.

Under the terms of the merger agreement, CEG shareholders would receive 0.930 shares of EXC common stock in exchange for each share of CEG, valued at $38.59 per share based on EXC's closing price on April 27, 2010 or $7.9 billion in aggregate. EXC would also assume approximately $4 billion of CEG long-term debt (excluding tariff securitization debt of $0.5 billion). The board of the combined company would consist of 12 members from EXC and four members from CEG.

The transaction is subject to approvals by EXC and CEG shareholders as well as several federal and state regulatory approvals, namely the Federal Energy Regulatory Commission (FERC), the Department of Justice, Maryland, New York, Texas and various other states. EXC and CEG have proposed divestiture of approximately 2,650 MWs of capacity in the PJM region to allay any market power concerns. Assuming all necessary approvals are obtained in a timely manner, the transaction is expected to close in the first quarter of 2012.

The combined company, which would operate under the Exelon name, would increase in scale, with approximately 34,401 MWs of generating capacity (of which 18,967 MWs would be nuclear), three regulated electric utilities serving 6.6 million customers in three states (Illinois, Pennsylvania and Maryland)and a national footprint serving retail and wholesale load.

Fitch has affirmed the following ratings with a Stable Outlook:

Exelon Corp.

--IDR at 'BBB+';
--Senior unsecured debt at 'BBB+';
--Commercial paper at 'F2';
--Short-term IDR at 'F2'.

Exelon Generation Co., LLC
--IDR at 'BBB+';
--Senior unsecured debt at 'BBB+';
--Commercial paper at 'F2';
--Short-term IDR at 'F2'.

Commonwealth Edison Company
--IDRat 'BBB-;
--First mortgage bonds at 'BBB+';
--Senior unsecured debt at 'BBB';
--Preferred stock to at 'BB+';
--Short-term IDR at 'F3';
--Commercial paper at 'F3'.

ComEd Financing Trust III
--Preferred stock at 'BB+'.

PECO Energy Co.
--IDR at 'BBB+';
--First mortgage bonds at 'A';
--Secured pollution control revenue bonds at 'A';
--Senior unsecured debt at (implied) 'A-';
--Preferred stock at 'BBB';
--Commercial paper at 'F2';
--Short-term IDR at 'F2'.

PECO Energy Capital Trust III
--Preferred stock at 'BBB'.

PECO Energy Capital Trust IV
--Preferred stock at 'BBB'.

Constellation Energy Group
--IDR at 'BBB-';
--Senior unsecured debt at 'BBB-';
--Junior subordinated notes at 'BB';
--Commercial paper at 'F3';
--Short-term IDR at 'F3'.

Baltimore Gas and Electric Company
--IDR at 'BBB;
--First mortgage bonds at 'A-';
--Senior unsecured debt at 'BBB+';
--Unsecured pollution control bonds at 'BBB+'
--Preferred stock to at 'BBB-';
--Short-term IDR at 'F2';
--Commercial paper at 'F2'.

BGE Capital Trust II
--Preferred stock at 'BBB-'.

Contact:

For EXC:

Primary Analyst
Robert Hornick
Senior Director
+1-212-908-0523
Fitch, Inc.

One State Street Plaza
New York, NY 10004

Secondary Analyst
Karen Anderson
Senior Director
+1-312-368-3165

For CEG:

Primary Analyst
Shalini Mahajan
Director
+1-212-908-0351
Fitch, Inc.
One State Street Plaza
New York, NY 10004

Secondary Analyst
Ellen Lapson
Managing Director
+1-212-908-0504

Committee Chairperson
Glen Grabelsky
Managing Director
+1-212-908-0577

Media Relations: Brian Bertsch, New York, Tel: +1 212-908-0549, Email: brian.bertsch@fitchratings.com.

Additional information is available at 'www.fitchratings.com'.

Applicable Criteria and Related Research:
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--'Credit Rating Guidelines for Regulated utility Companies' (July 31, 2007)
--'U.S. Power and Gas Comparative Operating Risk (COR) Evaluation and Financial Guidelines' (Aug. 22, 2007)

Applicable Criteria and Related Research:
Corporate Rating Methodology
Credit Rating Guidelines for Regulated Utility Companies
U.S. Power and Gas Comparative Operating Risk (COR) Evaluation and Financial Guidelines

MOODY'S
INVESTORS SERVICE

Credit Opinion: Commonwealth Edison Company

Global Credit Research - 26 Aug 2010

Chicago, Illinois, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	Baa3
First Mortgage Bonds	Baa1
Senior Secured Shelf	(P)Baa1
Sr Unsec Bank Credit Facility	Baa3
Senior Unsecured	Baa3
Commercial Paper	P-3
Parent: Exelon Corporation	
Outlook	Stable
Issuer Rating	Baa1
Sr Unsec Bank Credit Facility	Baa1
Senior Unsecured	Baa1
Subordinate Shelf	(P)Baa2
Preferred Shelf	(P)Baa3
Commercial Paper	P-2
ComEd Financing III	
Outlook	Stable
Bkd Preferred Stock	Ba1

Contacts

Analyst	Phone
A.J. Sabatelle/New York	212.553.4136
William L. Hess/New York	212.553.3837

Key Indicators

[1]**Commonwealth Edison Company**

	LTM 2Q 2010	2009	2008	2007
(CFO Pre-W/C + Interest) / Interest Expense	**3.4x**	**4.2x**	**3.4x**	**3.5x**
(CFO Pre-W/C) / Debt	**16.1%**	**19.8%**	**17.7%**	**15.3%**
(CFO Pre-W/C - Dividends) / Debt	**12.0%**	**16.0%**	**17.6%**	**15.2%**
Debt / Book Capitalization	**41.1%**	**40.3%**	**41.8%**	**39.1%**

[1] All ratios calculated in accordance with the Regulated Electric and Gas Utilities Rating Methodology using Moody's standard adjustments

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

Regulatory environment has improved but lingering concerns remain

Ability to recover costs and earn returns is reasonable

Stable credit metrics

Sizeable capital program

Dispute with IRS remains an overhang credit issue

Corporate Profile

Commonwealth Edison Company (ComEd) is a regulated electric transmission and distribution company and a subsidiary of Exelon Corporation (Exelon: Baa1 senior unsecured; stable outlook). ComEd provides energy delivery services to retail and wholesale customers in northern Illinois, including the city of Chicago. ComEd is regulated by the Illinois Commerce Commission (ICC) and the Federal Energy Regulatory Commission (FERC). At June 30, 2010, ComEd had total assets of $21 billion.

Recent Developments

On June 30, 2010, ComEd filed a distribution rate case seeking approval for an increase of $396 million to its net annual revenue requirement. The requested rate of return on common equity is 11.5%. The requested increase in electric distribution rates would increase the average residential customer's monthly electric bill by approximately 7%. The new electric distribution rates would take effect no later than June 2011.

ComEd's transmission rates are established based on a FERC-approved formula. In May 2010, ComEd filed its annual formula rate reflecting actual 2009 expenses and investments plus forecasted 2010 capital additions. The update resulted in a revenue requirement of $430 million, offset by a $14 million reduction related to the true-up of 2009 actual costs for a net revenue requirement of $416 million. The 2010 net revenue requirement became effective June 1, 2010 and is recovered over the period extending through May 31, 2011.

On February 2, 2010, the ICC issued an order adopting ComEd's proposed tariffs with minor modifications filed in accordance with the state legislation allowing for a rider mechanism for uncollectible accounts. As a result of the ICC order, ComEd recorded a regulatory asset of $70 million and an offsetting reduction in operating and maintenance expense in the first quarter of 2010 for the cumulative under-collections in 2008 and 2009. Recovery of the regulatory asset associated with 2008 and 2009 activities will take place over an approximate 14-month time frame which began in April 2010. The recovery or refund of the difference in the uncollectible accounts applicable starting with January 1, 2010, will take place over a 12-month time frame beginning in June of the following year.

SUMMARY RATING RATIONALE

ComEd's Baa3 senior unsecured rating primarily reflects factors considered under Moody's rating methodology for Regulated Electric and Gas Utilities published in August 2009 (the methodology). As depicted below, ComEd's indicated rating under the grid is Baa3 reflecting an improved but still challenging state regulatory environment in which the company operates, the financial impact of a reasonably credit supportive rate decision in the September 2008 electric delivery service rate case, and the fairly smooth implementation of procurement activities conducted under the Illinois Power Agency (IPA). The rating also factors in the regional economy, which is highly diversified which helps to mitigate the impact on the utility, as well as the company's lingering exposure to litigation risk with the IRS.

DETAILED RATING CONSIDERATIONS

Regulatory environment has improved but lingering concerns remain

An important factor in the rating methodology for Regulated Electric and Gas Utilities is the supportiveness of the regulatory framework.

ComEd's rating recognizes an improved, but still challenging regulatory environment in Illinois since a 2007 settlement on electric rates in Illinois averted the extension of a rate freeze that had been in place for several years. Since that electric rate settlement took effect in August 2007, the IPA's procurement of power has resulted in a decrease in retail rates, partly due to declining power prices. In 2009, the state legislature also passed a law providing public utility companies with the ability to recover from or refund to customers the difference between the utility's annual uncollectible accounts expense and amounts collected in rates annually through a rider mechanism. Notwithstanding these notable developments, Moody's believes that ComEd may still face challenges in the future from political and consumer groups given the degree of statewide pushback that occurred following the expiration of the 10 year rate freeze at the end of 2006 and the existence of its affiliate relationship with Exelon Generation (ExGen). Moreover, we observe that the most recent rate decision for another electric utility in the state was viewed as being less credit supportive raising renewed concerns about the predictability of decisions within the state. This is particularly relevant given the weaker economic conditions in the Midwest. While the improved regulatory environment was a factor in the 2008 upgrade for ComEd, Moody's continues to score the regulatory framework within Illinois as being below investment grade or at Ba.

Ability to recover costs and earn returns is reasonable

We score ComEd's ability to recover costs on a timely basis and earn reasonable returns at Baa and point to the outcome of the September 2008 rate case as a prime example of this rating factor. In the September 2008 distribution rate case, ComEd's distribution base rates increased by $273.6 million, which represented slightly more than 75% of ComEd's original request of $361 million. The outcome of the ComEd rate case, filed by the company in June 2010, will be an important milestone relative to the direction of the company's rating. As mentioned, ComEd has requested a distribution rate increase of $396 million based upon an ROE of 11.5%. A decision is expected on the case in May 2011.

Material Capital Investment

Over the past several years, ComEd has invested approximately $3 billion of capital in its distribution and transmission system principally to enhance reliability. Like most distribution and transmission systems that serve large metropolitan areas, continued capital investment is important for maintaining system reliability. ComEd will likely need to continue to spend around $950 million each year for the next several years to maintain and strengthen the distribution network in and around its service territory, and to improve reliability for customers.

Stable Credit Metrics

With the implementation of the distribution rate case and bonus depreciation, ComEd's standalone financial metrics have trended upward in recent years. Cash flow (CFO pre W/C) to debt was 15.3% for 2007, and 17.7% for 2008 and 19.8% in 2009, while cash flow coverage of interest expense was 3.5x, 3.4x in 2007 and 2008, and 4.2x in 2009. With bonus deprecation ending, we observe that for the 12 months ending June 30, 2010, cash flow to debt reverted to 16.1%. Additionally, in the second quarter of 2010, ComEd recorded a $36 million after tax interest expense in relation to the IRS dispute discussed below, resulting in decline in cash flow coverage of interest expense to 3.4x. Prospectively, in light of the still sizeable capital budget and the economy's likely impact on electric sales, Moody's believes that ComEd's credit metrics in the next two years will be maintained at 2007 and 2008 levels.

IRS dispute remains an overhang credit issue; Ownership by Exelon beneficial

Exelon, through ComEd, is involved in a tax dispute with the IRS relating to the $2.8 billion tax gain associated with the 1999 sale of ComEd's fossil generating assets. Exelon deferred about $1.6 billion of the gain under the involuntary conversion provisions of the IRS Code as Exelon believes that it was economically compelled to sell ComEd's generating plants as a result of the Illinois electric restructuring law. The remaining $1.2 billion of the gain was deferred by reinvesting the proceeds from the sale in qualifying replacement property under the like-kind exchange provisions of the IRS Code. The like-kind exchange replacement property purchased by Exelon included interests in three municipal-owned electric generation facilities which were leased back to the municipalities.

The IRS has taken the view that ComEd was not forced to sell the fossil generating plants and as such the gain on sale of the assets is subject to tax. The IRS has also asserted that the Exelon purchase and leaseback transactions are substantially similar to a SILO, which the IRS has been actively pursuing as a potentially abusive tax shelter. The company disagrees with the IRS disallowance of the deferral of the gain and with the characterization of its purchase and leaseback transactions as a SILO.

Due to the fact that tax litigation often results in a negotiated settlement, Exelon believes that an eventual settlement on the involuntary conversion position remains a likely outcome. Should Exelon and the IRS come to an agreement under the terms of the proposed offer, Exelon estimates it would make a payment of approximately $235 million in 2011 for the years for which there is a resulting tax deficiency, of which $420 million would be paid by ComEd, $140 million would be received by PECO Energy, and $10 million would be paid by ExGen. These amounts are net of approximately $300 million of refunds due from a 2001 settlement for certain overhead costs as well as other agreed upon audit adjustments. Furthermore, the company expects to receive an additional tax refund of approximately $300 million between 2011 and 2014, of which $360 million would be received by ComEd and $40 million would be paid by ExGen.

With regard to the like-kind exchange transaction, Exelon does not currently believe it is possible to reach a negotiated settlement with the IRS.

A fully successful IRS challenge to Exelon's and ComEd's like-kind exchange transaction would accelerate income tax payments and increase interest expense related to the deferred tax gain that would become currently payable. At June 30, 2010, the total potential tax and interest payments that could become currently payable in the event of a successful IRS challenge over the like-kind exchange could be as much as $800 million, $520 million of which would be recorded by ComEd and the rest by Exelon.

Liquidity

ComEd's Prime-3 short-term rating for commercial paper reflects our view that the company will maintain adequate liquidity for the next 4 quarters.

On March 25, 2010, ComEd replaced its $952 million credit facility with a $1 billion unsecured revolving credit facility that extends to March 25, 2013. This credit facility is used primarily to provide liquidity support and for the issuance of letters of credit. As of June 30, 2010, there were no borrowings under the facility. While the credit agreement does not contain any rating triggers that would affect borrowing access to the commitment and does not require any material adverse change (MAC) representation for borrowings, there is a requirement to maintain a ratio of net cash flow from operations to net interest expense at a minimum level. ComEd is required to maintain a ratio that is at least 2.0 times. At June 30, 2010 ComEd's ratio of net cash flow from operations to net interest expense was 3.97x, which is lower than historical levels primarily due to the additional interest expense accrual in relation to the IRS dispute as mentioned above.

Of the $1 billion facility, $196 million of the facility is currently used for letters of credit to support tax-exempt debt financing, leaving $804 million for working capital needs. At June 30, 2010, ComEd had $289 million of commercial paper outstanding, leaving $515 million of incremental borrowing availability. In late July 2010, ComEd issued $500 million of 4.0% first mortgage bonds due 2020 using the proceeds for general corporate purposes including the repayment of all short-term debt.

For last twelve months ended June 30th, 2010, ComEd generated $952 million operating cash flow, which satisfied most of its $898 million capital expenditure requirements as well as $270 million in dividends. Per management's public disclosure and our estimates, we anticipate the company will generate approximately $1.1 billion in cash from operations for 2010 which should cover all the maintenance and growth capital expenditures. $213 million first mortgage bonds were repaid in August 2010 using the proceeds from the recent $500 million bond offering.

For more information on Exelon's liquidity, please see the Exelon Credit Opinion on www.moodys.com.

Rating Outlook

ComEd's rating outlook is stable reflecting our expectation that financial results will remain in line with 2007 and 2008 results. An important factor in the outlook and rating is the outcome of the company's rate case, expected in May 2011. The outlook also incorporates the expectations that the IRS dispute could remain an overhang issue for many years to come.

What Could Change the Rating - Up

The rating can be upgraded if the credit supportive regulatory decision witnessed in the September 2008 rate case continues in subsequent regulatory filings resulting in the company's credit metrics continuing their upward trend such that cash flow to debt exceeds 16% and cash flow to interest expense exceeds 3.5x on a sustainable basis.

What Could Change the Rating - Down

The rating could be downgraded if the outcome of a current IRS challenge with respect to certain sale/leaseback transactions affecting Exelon and ComEd result in substantial cash outflows, or if regulatory decisions deteriorate over the next year resulting in the company's cash flow to debt declining below 12.0% or cash flow to interest expense falling below 3.0x for an extended period.

Rating Factors

Commonwealth Edison Company

Regulated Electric and Gas Utilities	Aaa	Aa	A	Baa	Ba	B

Factor 1: Regulatory Framework (25%)					X	
Factor 2: Ability to Recover Costs and Earn Returns (25%)				X		
Factor 3: Diversification (10%)						
a) Market Position (10%)				X		
b) Generation and Fuel Diversity (na)				na		
Factor 4: Financial Strength, Liquidity & Financial Metrics (40%)						
a) Liquidity (10%)				X		
b) CFO pre-WC + Interest / Interest (7.5%) (3yr Avg)				X		
c) CFO pre-WC / Debt (7.5%) (3yr Avg)				X		
d) CFO pre-WC - Dividends / Debt (7.5%) (3yr Avg)				X		
e) Debt / Capitalization or Debt / RAV (7.5%) (3yr Avg)			X			
Rating:						
a) Grid Implied Senior Unsecured Rating				**Baa3**		
b) Actual Senior Unsecured Rating				**Baa3**		

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MOODY'S
INVESTORS SERVICE

Credit Opinion: Exelon Corporation

Global Credit Research - 26 Aug 2010

United States

Ratings

Category	**Moody's Rating**
Outlook	Stable
Issuer Rating	Baa1
Sr Unsec Bank Credit Facility	Baa1
Senior Unsecured	Baa1
Subordinate Shelf	(P)Baa2
Preferred Shelf	(P)Baa3
Commercial Paper	P-2
Exelon Generation Company, LLC	
Outlook	Stable
Issuer Rating	A3
Sr Unsec Bank Credit Facility	A3
Senior Unsecured	A3
Preferred Shelf	(P)Baa2
Commercial Paper	P-2
Commonwealth Edison Company	
Outlook	Stable
Issuer Rating	Baa3
First Mortgage Bonds	Baa1
Senior Secured Shelf	(P)Baa1
Sr Unsec Bank Credit Facility	Baa3
Senior Unsecured	Baa3
Commercial Paper	P-3

Contacts

Analyst	**Phone**
A.J. Sabatelle/New York	212.553.4136
William L. Hess/New York	212.553.3837

Key Indicators

Exelon Corporation

	LTM 2Q 2010	**2009**	**2008**	**2007**
(CFO Pre-W/C + Interest) / Interest	**6.3x**	**7.1x**	**5.9x**	**6.8x**
(CFO Pre-W/C) / Debt	**32.6%**	**36.0%**	**31.5%**	**34.8%**
RCF / Debt	**24.2%**	**27.9%**	**24.1%**	**27.1%**
FCF / Debt	**5.3%**	**10.0%**	**11.7%**	**3.7%**

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

-Consolidated credit metrics remain strong for the rating category

-Competitive position and consistent operations

-Improved regulatory environment

-Hedging strategies influence cash flow predictability

-Financially disciplined management

-Stable T&D earnings and cash flow profile

-System wide capital requirements plus dividend requirements weaken prospect of free cash flow

-IRS dispute remains an overhang credit issue

Corporate Profile

Exelon Corporation (Exelon; Baa1 senior unsecured, stable outlook) is the holding company for non-regulated subsidiary, Exelon Generation Company, LLC (ExGen; A3 senior unsecured, stable outlook) and for regulated subsidiaries, Commonwealth Edison Company (ComEd; Baa3 senior unsecured, stable outlook) and PECO Energy Company (PECO; A3 Issuer Rating, stable outlook). At December 31, 2009, Exelon had total assets of $49.2 billion.

ExGen is one of the largest competitive electric generation companies in the US, as measured by owned and controlled megawatts (MW). At December 31, 2009, ExGen owned generation assets with a net capacity of 24,850 MW, including 17,009 MW of nuclear capacity. ExGen also controlled another 6,153 MW of capacity through long-term contracts.

ComEd is an electric transmission and distribution (T&D) utility providing service to 3.8 million customers across northern Illinois, including the city of Chicago. ComEd is regulated by the Illinois Commerce Commission (ICC) and by the Federal Energy Regulatory Commission (FERC).

PECO is a T&D utility providing electric service to about 1.6 million electric customers in the city of Philadelphia as well as several surrounding Pennsylvania counties. PECO also provides gas distribution service to about 486,000 natural gas customers in areas outside the city. PECO is regulated by the Pennsylvania Public Utility Commission (PAPUC) and FERC.

Recent Developments

On August 25, 2010, Moody's affirmed PECO's Issuer Rating at A3 and changed its outlook to stable from negative. Moody's also upgraded the company's senior secured debt to A1 from A2. The rating action reflects our belief that the regulatory framework in Pennsylvania will continue to be credit supportive, and that the transition to market rates for generation should continue to proceed without any material disruptions over the next several years. The rating action also factors in our expectation the outcome of the company's electric and gas rate cases filed with the PA PUC is more than likely to result in a moderately credit supportive outcome. We base this view on our assessment of recent decisions rendered by the PA PUC for other utilities in the state and the fact that the potential rate impact to end-use customers is likely to be far more moderate than what had been previously anticipated, given the decline in wholesale power prices.

On June 30, 2010, ComEd filed a distribution rate case seeking approval for an increase of $396 million to its net annual revenue requirement. The requested rate of return on common equity is 11.5%. The new electric distribution rates would take effect no later than June 2011.

On March 31, 2010, PECO filed electric and gas distribution rate case with PAPUC for increases of $316 million and $44 million to revenue requirement for electric and natural gas delivery, respectively, The requested rate of return on common equity under the electric and natural gas delivery rate cases is 11.75%. The new electric and gas delivery rates would take effect no later than January 1, 2011.

SUMMARY RATING RATIONALE

Exelon's Baa1 senior unsecured rating reflects strong consolidated credit metrics, due in large part to the financial performance of ExGen, its unregulated generation subsidiary, and the generally predictable cash flows at its T&D subsidiaries. Our rating considers the continuing transformation as the unregulated segment of the company becomes a larger and more meaningful contributor to consolidated revenues, cash flow, and earnings. While the utilities are large T&D subsidiaries, this transition will further increase at the beginning of 2011 after the all-requirements contract between affiliates PECO and ExGen expires at the end of 2010.

Given the size of the unregulated revenues, earnings, and cash flow, Moody's considers the Unregulated Utility and Power Company methodology to be most relevant in determining the ratings at Exelon, the parent.

DETAILED RATING CONSIDERATIONS

Consolidated credit metrics expected to decline yet remain well-positioned

The rating, given the company's competitive position as an unregulated nuclear power operator, reflects our expectation that the credit metrics will remain strong for the rating category, albeit modestly declining over the next two years. Moody's believes that due to continued weaker electric demand and an expectation for low power prices Exelon may not experience noticeable improvement in its credit metrics, even though the PECO load moves to market rates beginning 2011. Offsetting this is the expected improvement in results at both PECO and ComEd based upon recent rate case filings along with cost saving initiatives throughout the organization. At year-end 2009 and last twelve months ending June 30, 2010, Moody's calculates the ratio of Exelon's cash flow (CFO pre-W/C) to debt at nearly 36% and 32.6% respectively, and its cash flow coverage of interest expense at 7.1x and 6.3x, respectively. These financial metrics, which incorporate all of Moody's standard adjustments, are expected to be near 30% and 6x in the intermediate term which positions the company well within its Baa1 rating category.

Strong competitive position & consistent operations

As the largest owner and operator of nuclear generation in the US, the company has a strong competitive position and continues to demonstrate an outstanding record as a plant operator, particularly, as a nuclear operator. In the intermediate-term, we expect ExGen's competitive position to remain largely unchanged as capacity reductions from plant shut-downs which would lower reserve margins are offset by a slow economic recovery. Longer-term, the potential passage of some form of EPA regulation and carbon legislation should enhance its profitability as any incremental environmental control related costs are likely to result in a higher margin for Exelon.

During 2009, ExGen's fleet wide nuclear capacity factor approximated 93.6%, compared to the industry average of 90.5%, according to data from Nuclear Energy Institute (NEI). From 2007 to 2009, ExGen's nuclear capacity factor averaged 94%, positioning it in the top quartile among the industry, also according to NEI data. While this performance metric helps to drive ExGen's financial performance, any deviation from this strong historical track record could negatively impact consolidated earnings and cash flow in any given year in a meaningful way. This is particularly true if there were unforeseen sustained outages at more than one of ExGen's nuclear plants, given the extended timeframe that often accompanies an unanticipated nuclear plant outage. As such, continued strong plant operating performance remains a key rating factor.

Regulatory Environment

As noted in the Regulated Electric and Gas Utilities methodology, the regulatory framework and the ability of the framework to provide timely recovery of costs and predictable returns are important factors in assessing credit quality of a utility.

In Illinois, the regulatory environment, particularly during 2005-2007, created a challenging and less predictable business environment for ComEd and the other Illinois electric utilities. A 2007 settlement on electric rates in Illinois averted the extension of a rate freeze that had been in place for several years, and Illinois Power Agency's handling of power procurement has occurred fairly seamlessly, leading to signs of being more credit supportive. In 2008, ComEd's distribution base rates increased by $273.6 million, which represented slightly more than 75% of ComEd's original request of $361 million. The outcome of this rate case was an important milestone in Moody's September 2008 upgrade of ComEd's senior unsecured debt to investment grade. In 2009, the state legislature also passed a law which lead to the implementation of rider mechanism for uncollectibles, which we view favorably. Notwithstanding these notable developments, Moody's believes that ComEd may still face challenges from political and consumer groups given the degree of statewide pushback that occurred following the expiration of the 10 year rate freeze at the end of 2006 and the existence of its affiliate relationship with ExGen. Moreover, we observe that the most recent rate decision for another electric utility in the state was viewed as being less credit supportive raising renewed concerns about the predictability of decisions within the state. This is particularly relevant given the current weaker economic conditions in the Midwest.

For more information on ComEd and our assessment of the regulatory environment in Illinois, see the ComEd Credit Opinion dated August 2010.

In Pennsylvania, Moody's considers the current regulatory framework to be relatively supportive with the expectation that future rate case decisions will continue to provide timely recovery of costs and predictable returns. Most of the recent electric and gas rate cases completed in the last several years have been settled and it is our expectation that the current PECO distribution cases will be settled and the outcome will likely be credit positive. This degree of credit supportiveness is further exemplified by the balanced approach in which the PAPUC has implemented the electric restructuring act. Moody's observes that the likelihood of rate cap extension appears remote at this time as the degree of rate shock remains low for most customers due to current weak demand and low power prices.

For more information on PECO and on the regulatory environment in Pennsylvania, please see the PECO credit opinion dated August 2010.

Hedging strategies influence cash flow predictability

As an unregulated wholesale energy company whose gross margin can be materially impacted by changes in commodity prices, a company's hedging strategy can be an important rating factor. Exelon manages its hedges over a 36 month cycle with more than 90% of expected generation hedged in the next year, 70-90% in the second year, and 50 to 70% in the third year. At June 30, 2010, Exelon was 96-99% hedged for the remainder of 2010, 86-89% for 2011, and 57-60% 2012. This strategy has historically resulted in fairly predictable cash flows.

To effectuate such a strategy, maintaining access to adequate liquidity sources remains critical. This is particularly important for ExGen and Exelon given the nuclear concentration that exists. Moody's believes that given the improving but still challenged state of the bank market, companies like ExGen may need to shorten their hedging strategy given the typically reduced size and significantly higher cost of bank facilities in today's market. Moreover, with passage of the Dodd-Frank Wall Street Reform Bill, we believe that intermediate term liquidity for commodity hedging could be impacted. We observe ExGen currently has unsecured credit with various counterparties available for over-the-counter derivative transactions that could require ExGen to post additional collateral if it is deemed subject to higher margin requirements. Final rules on major provisions in the legislation will be established through rulemakings and are expected to take effect over the course of the year. Given the tenor of the existing portfolio and our belief that most unregulated companies will move to a more open position, Moody's believes this sub-factor should be scored at a Ba level.

Financially disciplined management

Notwithstanding the fact that Exelon made an unsolicited offer to acquire NRG Energy, Inc. (NRG), a speculative grade issuer, in the recent past, Moody's believes that Exelon's management and board demonstrated appropriate financial discipline with respect to several matters including the allocation of capital in connection with this transaction as management was prepared to issue substantial amounts of equity (through a new offering or through asset sales) in order to preserve the investment grade ratings throughout the organization. In the end, Exelon's board was not willing to raise its offer to the level that was deemed to be acceptable to NRG's board and its shareholders.

Stable T&D earnings and cash flow profile

Exelon's T&D businesses, PECO and ComEd, while representing a decline in their proportion of consolidated revenues, cash flow and earnings, provide a relatively predictable source of earnings and cash flow. Management is keenly focused on enhancing returns and related cash flows at both operations, and the current rate cases filed with the respective state commissions should result in higher returns and associated cash flows. Both companies have substantial capital investment programs underway for infrastructure replacement and in the case of PECO, for the installation of smart grid meters. Additionally, Exelon is taking a proactive view towards investing in transmission projects within the regulated utilities as well as a through a newly formed subsidiary. These investments which are regulated by FERC should, if completed, provide a source of healthy predictable returns for the company. For more information on PECO and ComEd, see the PECO and ComEd Credit Opinion which can be found on moodys.com.

Material maintenance and growth capital requirements plus dividend requirements could weaken future cash flow

As a large capital intensive commodity company, Exelon has substantial capital requirements to maintain the operation of its generation fleet while also maintaining and replacing the infrastructure of its regulated T&D utilities. In 2010, nearly $3.5 billion of capital investment will be spent at Exelon, of which $2 billion will be spent at the unregulated power company, with the remainder spent at the utilities. Exelon has announced plans to increase its nuclear fleet capacity by 1,300 to 1,500 MW through an uprate program which could cost $4.4 billion and is expected to be phased in and completed by 2017. We calculate that the uprates, when completed, will add approximately 10% of incremental nuclear generation output to the company's fleet at a very competitive cost. On average, over the past three years, dividends represented approximately 23% of cash flow from operations while capital expenditures represented 54% of cash from operations, resulting in average free cash flow of $1.5 billion. During that time, Exelon repurchased on a net basis approximately $1.3 billion of common stock. As a commodity company facing a downturn in margins at a time when capital investment is expected to increase, Exelon's ability to generate any free cash flow will be pressured.

IRS dispute remains an overhang credit issue

Exelon, through ComEd, is involved in a tax dispute with the IRS relating to the $2.8 billion tax gain associated with the 1999 sale of ComEd's fossil generating assets. Exelon deferred about $1.6 billion of the gain under the involuntary conversion provisions of the Code as Exelon believes that it was economically compelled to sell ComEd's generating plants as a result of the Illinois electric restructuring law. The remaining $1.2 billion of the gain was deferred by reinvesting the proceeds from the sale in qualifying replacement property under the like-kind exchange provisions of the Code.

Due to the fact that tax litigation often results in a negotiated settlement, Exelon believes that an eventual settlement on the involuntary conversion position remains a likely outcome. With regard to the like-kind exchange transaction, Exelon does not currently believe it is possible to reach a negotiated settlement with the IRS.

A fully successful IRS challenge to Exelon's and ComEd's like-kind exchange transaction would accelerate income tax payments and increase interest expense related to the deferred tax gain that would become currently payable. At June 30, 2010, the total potential tax and interest payments that could become currently payable in the event of a successful IRS challenge over the like-kind exchange could be as much as $800 million, $520 million of which would be recorded by ComEd and the rest by Exelon.

For more information on this matter, please refer to the ComEd Credit Opinion, which can be found on www.moodys.com.

Liquidity

Overall, Moody's believes that Exelon has good liquidity. For fiscal year 2009, Exelon generated about $6.4 billion of cash from operations, which sufficiently covered $3.3 billion of capital outlays and $1.4 billion of dividends, resulting in free cash flow of around $1.7 billion on a consolidated basis, as calculated by Moody's. Through the 12 month ending period of 06/30/2010, Moody's calculates that Exelon generated $879 million of free cash flow.

At June 30, 2010, Exelon had a total of $7.3 billion of credit facilities spread across key business segments for working capital requirements. Exelon, ExGen, and PECO have senior unsecured credit agreements that expire in October 2012 totaling $957 million, $4.8 billion, and $574 million, respectively. On March 25, 2010, ComEd replaced its $952 million credit facility with a new $1 billion unsecured revolving credit facility that extends to March 25, 2013. These credit facilities are used primarily to provide liquidity support and for the issuance of letters of credit. While the credit agreements do not contain any rating triggers that would affect borrowing access to the commitments and do not require material adverse change (MAC) representation for borrowings, there is a requirement for each entity to maintain a ratio of net cash flow from operations to net interest expense at a minimum level. Exelon is required to maintain a ratio that is at least 2.5x. At June 30, 2010, Exelon's ratio of net cash flow from operations to net interest expense was 10.45x.

At June 30th, of the aggregate $7.3 billion of credit facilities at Exelon, ExGen, PECO, and ComEd, available capacity was reduced by $435 million through the issuance of letters of credit (principally at ComEd and ExGen) and $289 million commercial paper issuance at ComEd. Available capacity at Exelon and its subsidiaries aggregated $6.6 billion with $952 million of credit capacity being available under the Exelon facility, $4.603 billion under the ExGen facility, $571 million under the PECO facility, and $515 million under the ComEd facility.

With respect to rating triggers, if ExGen lost its investment grade credit rating as of June 30, 2010, it would be required to provide incremental collateral of about $1.2 billion, including $994 million of collateral obligations for derivatives and $212 million of financial assurances to Nuclear Electric Insurance Limited related to annual premium obligations. If ComEd lost its investment grade credit rating, it would be required to provide incremental collateral of approximately $233 million. If PECO lost its investment grade credit rating, it could be required to provide $6 million in collateral per PJM's credit policy and provide collateral of about $46 million related to its natural gas procurement contracts.

For the remainder of 2010, the only debt maturity is $404 million of final payment on the securitization debt at PECO which has been prefunded in a restricted cash account. For 2011, there is approximately $599 million due, representing $347 million at ComEd, $250 million at PECO and $2 million at ExGen.

At June 30, 2010, Exelon had $1.168 billion of consolidated cash on its balance sheet, of which $0.8 billion was held at ExGen. For additional liquidity, Exelon also maintains an inter-company money pool agreement that includes regulated subsidiaries ComEd and PECO as well the unregulated ExGen. While all of the participating subsidiaries have the ability to borrow and lend into the money pool, Exelon does not have the ability to borrow from the money pool and is only allowed to participate as a lender.

For more information on the liquidity profiles of ExGen, ComEd, and PECO, see the Credit Opinions for each of these issuers on www.moodys.com.

Structural Considerations

Within the last year, Exelon has refinanced holding company debt with debt issued at ExGen. As mentioned above, $500 million of the 2009 ExGen financing was used to refinance a like amount of holding company debt. This past June 2010, $400 million of Exelon holding company was repaid from internal sources, but we would anticipate that when ExGen issues debt in the future, it would incorporate the replacement of all or a portion of this $400 million into the amount of the financing. Exelon has $1.3 billion of remaining holding company debt, $800 million that matures in 2015 and $500 million that matures in 2035. Given this maturity profile, we would anticipate that $800 million of this debt would be refinanced at the ExGen level, leaving $500 million of holding company debt at Exelon.

For these reasons, when evaluating ExGen, Moody's examines historical and projected financial metrics for ExGen with the debt of Exelon holding company incorporated into the analysis.

Rating Outlook

The rating outlook for Exelon is stable, reflecting continued strong financial performance driven by ExGen's position as a large, multi-region, low-cost wholesale generator of electricity. The stable outlook incorporates Moody's expectation that the company will continue to focus on executing existing internal growth opportunities and that the generation fleet will continue to meet or exceed historical operating performance. The stable rating outlook further factors in our belief that regulated returns at the utilities will continue on an upward trend and that management will remain disciplined in any subsequent external growth initiatives and will finance such activities in a manner that is attentive to credit quality.

What Could Change the Rating - Up

In light of the near-term prospects for wholesale power prices, the rating is not likely to be updated without a substantial de-levering of Exelon's balance sheet.

What Could Change the Rating - Down

A substantial increase in leverage, a sudden shift in management's view toward returning capital to shareholders, or poor operating plant performance for an extended period resulting in significantly higher replacement power costs and O&M expenses could negatively impact Exelon's ratings, particularly if cash flow to debt falls below 25%, retained cash flow to debt drops below 17% and cash flow interest coverage falls below 5.0x for a sustained period. Moreover, given the company's annual dividend requirements, to the extent that power prices remain weak in the future and the company finances its nuclear uprate program or other acquisitions with incremental debt, the rating would likely come under pressure.

Rating Factors

Exelon Corporation

Power Companies	Aaa	Aa	A	Baa	Ba	B	Caa	Caa
Factor 1: Market Assessment, Scale and Competitive Position (20%)								
a) Market and Competitive Position (15%)			X					
b) Geographic Diversity (5%)				X				
Factor 2: Cash Flow Predictability of Business Model (20%)								
a) Effectiveness of hedging strategy (10%)					X			
b) Fuel Strategy and mix (5%)					X			
c) Capital requirements and operating performance (5%)				X				
Factor 3: Financial policy (10%)				X				
Factor 4: Financial Strength - Key Financial Metrics (50%)								
a) CFO pre-WC + Interest / Interest (15%) (3yr Avg)				X				
b) CFO pre-WC / Debt (20%) (3yr Avg)				X				
c) RCF / Debt (7.5%) (3yr Avg)			X					
d) FCF / Debt (7.5%) (3yr Avg)					X			
Rating:								
a) Grid Implied Senior Unsecured Rating				**Baa2**				
b) Actual Senior Unsecured Rating				**Baa1**				

MOODY'S
INVESTORS SERVICE

Announcement: **Moody's reviews Exelon and Exelon Generation for possible downgrade; Affirms Constellation, outlook positive**

Global Credit Research - 28 Apr 2011

Approximately $ 17 Billion of Debt Securities Affected.

New York, April 28, 2011 -- Moody's Investors Service placed the long-term ratings of Exelon Corporation (EXC: Baa1 senior unsecured) and Exelon Generation Company, LLC (ExGen: A3 senior unsecured) under review for possible downgrade following today's announced plan to merge with Constellation Energy Group, Inc. (CEG: Baa3 senior unsecured) in a stock-for-stock transaction. Concurrent with this rating action, Moody's affirmed all of the ratings of CEG and changed CEG's rating outlook to positive from stable. EXC and ExGen's short-term ratings for commercial paper are affirmed at Prime-2, while CEG's short-term rating for commercial paper is affirmed at Prime-3.

At the same time, Moody's affirmed all of the ratings for EXC's regulated subsidiaries and their subsidiaries and maintained the stable rating outlook at Commonwealth Edison Company (CWE: Baa3 senior unsecured), PECO Energy Company (PECO: A3 senior unsecured), ComEd Financing III (Ba1 subordinated debt) and PECO Energy Capital Trust III (Baa1 subordinated debt). Moody's also affirmed all of the ratings of Baltimore Gas and Electric Company (BGE: Baa2 senior unsecured) and subsidiary, BGE Capital Trust II (Baa3 subordinated debt). The rating outlook for BGE and BGE Capital Trust II is positive.

"The rating review for EXC and ExGen reflects the pending acquisition of a lower-rated entity and the expected increase in leverage, particularly off-balance sheet debt, at a time when electric margins are compressed," said Moody's Senior Vice President A.J. Sabatelle.

The review for possible downgrade for EXC and ExGen considers our expectation for a decline in consolidated financial metrics following the merger driven in part by reduced power prices. The review also considers the substantial increase in off-balance leverage that accompanies this merger due in large part to the addition of third party guarantees and other potential calls on capital, including tolling obligations. Moody's estimates that off-balance obligations for the combined EXC could nearly triple from the current level at EXC.

While acknowledging the strategic benefits of linking a company that is long on generation resources with a company that is long on customer load, Moody's believes that the combined entity will still be exposed to earnings and cash flow volatility due to a large unregulated business platform whose financial performance is influenced by market determined commodity pricing levels. We also believe that completion of this transaction increases the likelihood that EXC will remain more focused on maintaining its leadership position among unregulated power companies. As the largest unregulated generation company in terms of production and the largest retail energy supplier in North America, we calculate that the company's unregulated operations will collectively represent at least 65% of the combined operations during periods of low power prices and likely represent at least 80% of consolidated results when more robust power generation margins exists. As such, we believe that it will be very challenging for EXC to easily transform the company's business mix into one that is materially more balanced across regulated operations given the sheer size of the existing unregulated footprint. Moreover, given the competitive position that this merger reinforces, we believe that management, along with the board, will be more inclined in the future to pursue acquisitions of additional unregulated properties as a natural extension of an existing strategy, particularly given the more streamlined and less challenging regulatory approval requirements that tend to accompany unregulated acquisitions.

Balancing these factors are the expected benefits that this merger should produce as the linkage of EXC's generation with CEG's load should considerably reduce consolidated liquidity requirements and enable the merged company to receive somewhat better margins for its electric output given the stickiness of customer load. We further recognize that completing the transaction enables EXC to gain access to end-use customers within the retail supply chain at a much faster pace and in a more efficient way than it could have otherwise achieved from building it internally. While these factors add support for the rationale behind the merger, we observe that certain of the businesses being added have little to do with matching generation with load but add to the potential capital and liquidity requirements of the firm and increase the associated volatility with operating a commodity business. As such, we view the merged company as embracing a higher risk tolerance than what may have existed in the past at EXC given the commodity platform that accompanies this transaction. For that reason, we believe the merged company's credit metrics may need to be stronger than similarly rated peers and maintain access to amply sized sources of liquidity.

"For CEG, the rating affirmation and change in rating outlook to positive from stable reflects the expected benefits with being integrated into a larger, more diverse, and more financially robust company," added Moody's Vice President Scott Solomon.

We believe the acquisition would be a credit positive event for CEG's debt holders. The company's growth prospects have been challenged by its short generation position relative to the load obligation of its retail energy supply business. We view EXC's large electric generating footprint as aligning well with CEG's multi-state retail business and would expect the combination to reduce CEG's existing sizable liquidity requirements while providing a platform for growth.

The rating affirmation and maintenance of a stable outlook at CWE and at PECO reflects the credit neutral impact that we believe this transaction will have on both utilities' financial performance. At CWE, the rating affirmation incorporates the strong credit metrics that exist for the rating category balanced against a very challenging regulatory environment for electrics in the state. To that end, future rating actions are focused in the near-term on the outcome of the company's electric rate case expected in May 2011, along with greater clarity around the prospects of statewide legislation being passed that could transform the current regulatory framework to one that would be more transparent and would reduce regulatory lag. At PECO, we believe the company is well-positioned in its rating category given the strong credit metrics and fairly predictable regulatory environment in Pennsylvania. While we anticipate strong cash flow generation at PECO over the next several years, we also expect the company to pay all of its earnings as dividends over the next couple of years which tempers the possibility for a higher rating.

The outlook for BGE remains positive due to recent improvement in its standalone credit quality. We are not considering further positive rating actions at this time, however, due to uncertainty on conditions that may be required to secure regulatory support from the Maryland Public Service Commission. While EXC and CEG have proposed certain benefits to BGE residential customers, including a $100 credit within 90 days of closing, we view the merger approval process in Maryland as a material obstacle and that garnering support for the transaction could potentially require additional concessions.

The rating review for EXC and ExGen will focus on around gaining greater insights into the components of the combined company's off-balance obligations, particularly the existing CEG guarantees that support the commodity and retail business, the strategic direction of the merged company as it relates to businesses being acquired that are not directly linked to the supply of electricity to end-use customers, the appropriate amount of reliable liquidity resources under different scenarios, and the prospects for incremental operating expenses and capital requirements mandated by various oversight groups following the nuclear accident in Japan. Additionally, the rating review will examine the details concerning the manner in which CEG's operations are folded into EXC's unregulated platform from a organizational, legal, and counterparty perspective.

The transaction requires approval by the stockholders of both EXC and CEG and various regulatory approvals, including the Federal Energy Regulatory Commission, Nuclear Regulatory Commission, Maryland Public Service Commission, the New York Public Service Commission and the Public Utility Commission of Texas. The companies anticipate closing in early 2012.

The principal methodology used in rating EXC, ExGen, and CEG was Rating Methodology: Unregulated Utilities and Power Companies, published August 2009, and the principal methodology used in rating CWE, PECO, and BG&E was Rating Methodology: Regulated Electric and Gas Utilities, published in August 2009. Both are available on www.moodys.com in the Rating Methodologies sub-directory under the Research and Ratings tab. Other methodologies and factors that may have been considered in the process of rating these issuers can also be found in the Rating Methodologies sub-directory on Moody's website.

Please see ratings tab on the issuer/entity page on Moodys.com for the last rating action and the rating history.

On Review for Possible Downgrade:

..Issuer: Exelon Corporation

.... Issuer Rating, Placed on Review for Possible Downgrade, currently Baa1

....Multiple Seniority Shelf, Placed on Review for Possible Downgrade, currently a range of (P)Baa3 to (P)Baa1

....Senior Unsecured Regular Bond/Debenture, Placed on Review for Possible Downgrade, currently Baa1

..Issuer: Exelon Generation Company, LLC

.... Issuer Rating, Placed on Review for Possible Downgrade, currently A3

....Multiple Seniority Shelf, Placed on Review for Possible Downgrade, currently (P)Baa2, (P)A3

....Senior Unsecured Regular Bond/Debenture, Placed on Review for Possible Downgrade, currently A3

..Issuer: Pennsylvania Economic Dev. Fin. Auth.

....Senior Unsecured Revenue Bonds, Placed on Review for Possible Downgrade, currently A3

..Issuer: Exelon Capital Trust I

....Preferred Stock Shelf, Placed on Review for Possible Downgrade, currently (P)Baa2

..Issuer: Exelon Capital Trust II

....Preferred Stock Shelf, Placed on Review for Possible Downgrade, currently (P)Baa2

..Issuer: Exelon Capital Trust III

....Preferred Stock Shelf, Placed on Review for Possible Downgrade, currently (P)Baa2

Outlook Actions:

..Issuer: BGE Capital Trust II

....Outlook, Changed To Positive From Negative

..Issuer: Constellation Energy Group, Inc.

....Outlook, Changed To Positive From Stable

..Issuer: Exelon Capital Trust I

....Outlook, Changed To Rating Under Review From Stable

..Issuer: Exelon Capital Trust II

....Outlook, Changed To Rating Under Review From Stable

..Issuer: Exelon Capital Trust III

....Outlook, Changed To Rating Under Review From Stable

..Issuer: Exelon Corporation

....Outlook, Changed To Rating Under Review From Stable

..Issuer: Exelon Generation Company, LLC

....Outlook, Changed To Rating Under Review From Stable

Headquartered in Chicago, IL, EXC is the holding company for unregulated subsidiary, ExGen, a large competitive power generator, which owns and operates 25,619 megawatts (MW) of capacity and controls 6,139 MW of capacity under long-term contracts. EXC also owns CWE and PECO, both regulated subsidiaries. At December 31, 2010, Exelon had total assets of approximately $52.2 billion.

Headquartered in Baltimore, MD, CEG is a diversified energy company whose operating segments include merchant energy generation (Generation), customer supply (NewEnergy) and transmission and distribution (BG&E). Generation owns and operates approximately 12,000 MW of generating capacity, including CEG's 50.01% interest in Constellation Energy Nuclear Group, and manages 6 terawatt hours of capacity through long-term tolling agreements. At December 31, 2010, CEG had total assets of approximately $20 billion.

New York
A.J. Sabatelle
Senior Vice President
Infrastructure Finance Group
Moody's Investors Service
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

New York
Scott Solomon
Vice President - Senior Analyst
Infrastructure Finance Group
Moody's Investors Service
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

Moody's Investors Service
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

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Exelon Looks to Acquire Constellation Energy:

Long generation supply coupled with short retail load designed to balance position book

Exelon Corporation announced its intention to merge with Constellation Energy in a stock-for-stock transaction. The merger is expected close in approximately 12 months and is likely to result in generation asset dispositions. Moody's has placed the ratings for Exelon and its primary un-regulated power company, Exelon Generation on review for possible downgrade; the rating outlook for Constellation has been changed to positive from stable, and the ratings and rating outlooks for the regulated transmission and distribution utilities Commonwealth Edison, PECO Energy and Baltimore Gas & Electric have been affirmed. This Special Comment will discuss our rationale for the rating actions.

Key Ratings Drivers for Exelon-Constellation

» Use of stock as transaction currency viewed positively

» Departure of Exelon's publicly stated strategy of adding regulated assets

» Estimated annual synergy savings could be material, mostly from reduction in corporate staffing, marketing and trading positions at both firms and elimination of other redundancies

» Reduction in liquidity requirements by approximately $3 - $4 billion despite increased reliance on trading and marketing positions

» No impact on regulated assets as Exelon will now own three large, fully regulated T&D systems thus providing a good base of stable and predictable revenue and cash flow

» Increased exposure to other segments of the energy commodity business through Constellation's NewEnergy retail business

» Increased difficulty to rebalance regulated/unregulated mix in the future – would require significant acquisition(s) or dispositions

» Assumption of Constellation's significant off-balance sheet commitments

» Constellation's retail business expected to serve as a natural hedge to Exelon's sizeable generation business

Rating Implications

The ratings for Exelon and Exelon Generation have been placed on review for possible downgrade, while Constellation's rating outlook has been changed to positive from stable. On the surface, this might appear somewhat unbalanced, but our rationale reflects execution risk in completing the merger, which is the only way that CEG would garner a higher rating over the near-term horizon.

When the merger appears more likely to close (i.e., majority of significant approvals are attained), we may place the CEG securities under review for possible upgrade. With respect to EXC and ExGen, the review for possible downgrade reflects the impact of the merger with CEG but also reflects a continued strategy to grow the unregulated business through acquisitions of weaker credit quality issuers or debt financed acquisitions, such as the John Deere wind assets, which were acquired late last year. This strategy continues at a time when power prices are likely to remain compressed and when additional costs for operating nuclear generation as well as coal-fired generation are likely to occur. As such, even if the merger was not completed, the ratings of EXC and ExGen could decline by one notch given these expected downward pressures.

TABLE 1
Existing Ratings and Rating Actions for Exelon and Constellation

Issuer	Instrument	Current Rating	Rating Action
Exelon Corp			
	Issuer Rating	Baa1	RUR - down
	Commercial Paper	P-2	Affirm
	Outlook	Stable	RUR - down
Exelon Generation Company			
	Issuer Rating	A3	RUR - down
	Senior Unsecured	A3	RUR - down
	Commercial Paper	P-2	Affirm
	Outlook	Stable	RUR - down
PECO Energy Company			
	Issuer Rating	A3	Affirmed
	First Mortgage Bonds	A1	Affirmed
	Subordinated Debt	Baa1	Affirmed
	Preferred Securities	Baa2	Affirmed
	Commercial Paper	P-2	Affirmed
	Outlook	Stable	Affirmed
Commonwealth Edison Company			
	Issuer Rating	Baa3	Affirmed
	First Mortgage Bonds	Baa1	Affirmed
	Subordinated Debt	Ba1	Affirmed
	Commercial Paper	P-3	Affirmed
	Outlook	Stable	Affirmed

TABLE 1

Existing Ratings and Rating Actions for Exelon and Constellation

Issuer	Instrument	Current Rating	Rating Action
Constellation Energy			
	Senior Unsecured	Baa3	
	Junior Subordinated	Ba1	
	Commercial Paper	P-3	
	Outlook	Stable	Positive
Baltimore Gas & Electric			
	LT Issuer Rating	Baa2	Affirmed
	Senior Unsecured	Baa2	Affirmed
	Preference Stock	Ba1	Affirmed
	Commercial Paper	P-2	Affirmed
	Outlook	Positive	Affirmed

Merger Rationale

The primary rationale for the merger is that it provides business synergies to both companies. EXC is the largest and consistently most competitive unregulated generation company in the US but does not have a developed retail marketing arm to sell its product. As a result, EXC is more exposed to market forces for revenue determination.

By contrast, CEG has the most developed retail marketing arm in the country and while it owns some generation, it has to secure a sizeable amount of generation from the market to satisfy all of its retail requirements.

An important benefit for both companies is that the transaction should reduce liquidity requirements (by an estimated $3 - $4 billion) since there should be no margining requirements among company affiliates. Also, both companies will continue to have a low carbon footprint, particularly since CEG is expected to divest a substantial portion of its coal-fired generation fleet as part of the transaction.

TABLE 2

Business Mix – Regulated versus Unregulated ($ millions)

Exelon Corporation				
	Assets		Operating Profits	
Exelon Generation Company	24,770	44.5%	3,111	63.4%
PECO Energy Company	9,171	16.5%	681	13.9%
Commonwealth Edison Company	21,766	39.1%	1,118	22.8%
	55,707	**100.0%**	**4,910**	**100.0%**
Constellation Energy				
	Assets		Operating Profits	
New Energy (Unreg Segment)	13,560	67.0%	623	63.3%
Baltimore Gas & Electric	6,667	33.0%	361	36.7%
	20,227	**100.0%**	**984**	**100.0%**

TABLE 2

Business Mix – Regulated versus Unregulated ($ millions)

Pro-forma combined				
	Assets		Operating Profits	
Regulated	37,600	50.0%	2,160	37.0%
Un-regulated	38,330	50.0%	3,734	63.0%
	75,930	**100.0%**	**5,894**	**100.0%**

Note: Table 2 reflects Moody's adjusted 2010 financial data

From EXC's perspective, the transaction addresses an expected earnings shortfall beginning in 2012 and quickly provides them with a large retail supply outlet. This "short" position was (arguably) a deficiency in EXC's product capability.

The merger allows EXC to remain in control of the combined company with headquarters in Chicago, both of which we believe were objectives of EXC's current Chairman/CEO and board. Since CEG is trading at a discount to book value, EXC is able to achieve these objectives at an attractive value for their shareholders.

We understand that the transaction will be neutral to earnings in the first year and earnings accretive in the second year. That being said, the transaction is a departure from EXC management's recent public statements concerning their acquisition strategy as they have communicated their interest in adding rate regulated properties to their overall business mix. According to management, while that objective remains important to them in the long-run, the cost of acquiring a large regulated business today is uneconomical.

EXC's stock price, along with other unregulated companies, has declined with lower natural gas prices and lower power prices. By contrast, the stocks of regulated utility companies have held up reasonably well during this period. To the extent that EXC's stock price increases with an improvement in natural gas and power prices, we believe the company may look to acquire regulated businesses to provide more balance to the business mix.

During the current period of expected low commodity contributions, Exelon's unregulated platform still provides roughly 65% of consolidated operating income but has provided at least 80% of consolidated operating income over the past few years when commodity prices were higher. As such, this transaction, while making good sense from a strategic and liquidity standpoint, does further advance the unregulated side of the company for EXC at a time when power prices are expected to remain low for a sustained period of time. Moreover, the transaction further increases the merged unregulated power company's reliance on nuclear generation at a time when the costs to operate nuclear fleets are expected to rise in the future with such costs less likely to be fully recovered through market prices.

From CEG's perspective, the merger is viewed as a credit positive. Due to their relatively small size, CEG was viewed as needing a merger partner and EXC now appears as the best choice given their long position in low-cost generation in key regions, including PJM.

While CEG had improved its financial strength and liquidity during 2009 and 2010 from asset sales and other measures, internal growth was a problem, in our opinion, particularly since the company is short on generation relative to its retail energy supply business. This short position was magnified by CEG's 2009 transaction with EDF where EDF acquired a 49.9% stake in Constellation Energy Nuclear Group (CENG), CEG's nuclear business. Although CEG still receives the majority of the CENG available electric output through 2013, beginning in 2014 EDF will receive 49.9% of CENG's available output thereby further adding to CEG's short position.

From a shareholder's perspective, CEG's shareholders will receive a significant increase in their current dividend rate from $0.96/share to $2.10/share. This new dividend rate will be at a level that is $0.19/share higher than CEG's previous high of $1.91/share, which existed through 2008, prior to the dividend being cut 50% to its current level. We believe it is highly unlikely that this type of dividend increase would have ever occurred for CEG shareholders if the company remained independent.

Rationale for Rating

In our opinion, the transaction further advances EXC's strategy as an unregulated power company at a time when power prices and related margins are expected to remain compressed.

» Given EXC's size and assuming no incremental organic growth, it will be difficult for EXC to transform itself into a more balanced operation in the future with complementary contributions from rate regulated businesses. In addition, EXC hopes to further expand the CEG retail distribution footprint.

» The transaction increases EXC's exposure to other segments of the energy commodity business. No discussion by EXC management suggests that they would look to scale back or refocus some of the commodity businesses that are new to EXC. Examples of businesses that do not exist within EXC's portfolio include:

- CEG, through New Energy, has a large natural gas marketing business providing natural gas to end-use retail customers.
- Risk management services for commodities other than power and natural gas, include coal, and freight.
- CEG owns upstream and downstream natural gas operations including a 28.5% interest in Constellation Energy Partners, which is engaged in the acquisition, development, and exploration of natural gas properties.

» EXC assumes substantial off-balance commitments associated with CEG's marketing and trading operations. While EXC already has a meaningful level of off-balance commitments, including tolling obligations, the amount is currently modest relative to the company's market and book capitalization.

» Margins in the future are likely to be negatively impacted by the additional operating expenses and capital requirements associated with the company's nuclear fleet following the events in Japan. We believe unregulated power companies are less likely to fully recover all of the required costs that may surface.

» Given the prospects for natural gas prices and the impact on power margins, we believe greater consideration should be given to potential downside projection scenarios as a reference point for future performance.

Off-Balance Commitments

Given the sizeable retail energy supply business along with its gas marketing operations, CEG has significant off-balance commitments, relative to the much larger EXC. The largest of these commitments is the $9.1 billion of guarantees that CEG currently provides in support of the commodity business.

Additionally, both companies have a substantial level of tolling arrangements in place where CEG or ExGen is required to make capacity payments to plants for the right to receive electric output. Since the marketplace determines whether such capacity arrangements are in or out of the money and since such capacity arrangements support both companies unregulated power platform, it is worth examining financial metrics with these commitments capitalized as debt.

This approach is similar to the way in which we capitalize operating leases. For ExGen and EXC, we calculate that adjusting for tolls adds about $1.2 billion of debt to the capital structure, while for CEG, we calculate that this adjustment adds about $835 million. While the attached chart depicts off-balance sheet commitment for both companies, the adjustment for tolls was the only additional adjustment made to the financial projections.

TABLE 3

Off-Balance Sheet Commitments

Description	Amount (000)	Comments
Exelon Generation		
Present Value of Tolling Obligations	1,195,000	Notional Amount is $1.944 B
Surety Bonds	72,000	Contract & commercial Arrangements
Performance Guarantees	518,000	Guarantees of future performance
Energy marketing contract guarantees	157,000	Performance under energy commodity contracts
Nuclear insurance Premiums	2,210,000	Maximum amount that ExGen would be required to pay in the event of a nuclear disaster
Other Guarantees	69,000	
Downgrade Collateral	1,156,000	Downgrade Collateral
Total Estimate of Off-Balance Sheet Commitments	**5,377,000**	
Constellation Energy		
Present Value of Tolling Obligations	835,000	Notional amount is $1.361 B
Guarantees of New Energy Obligations	8,600,000	Estimated net exposure at 12/31/2010 was $1.5 B; based upon market prices as of that day for electricity, natural gas or other commodities.
Nuclear Insurance Premiums	293,750	Represents CEG's portion of the obligation that it would be required to pay in the event of a nuclear disaster
Service agreements	65,000	
Credit Support	500,000	Credit Support for CENG
Guarantee of Third Party Natural Gas Marketer	152,000	$100 million Guarantee and $52 million LOC
Monetizations and other Power Projects	30,000	Contract Monetizations
Downgrade Collateral	$1,000,000	One Notch downgrade
VIEs	99,000	
Total Estimate of Off-Balance Sheet Commitments	**11,574,750**	

Summary of Financing Plan Assumptions

» Exchange of 0.930x EXC stock for CEG stock.

» CEG dividend rate will increase from $0.96/share to $2.10/share. At 12/31/2010, there were 199.9 million CEG outstanding shares (increase of $227 million of dividends for merged EXC).

» Liquidity arrangements (excluding utilities) are expected to aggregate $6.3 - $7.3 billion, representing a reduction of $3-4 billion from the current combined levels. Exelon recently closed on $5.8 billion of syndicated credit facilities at ExGen ($5.3 billion) and at Exelon ($500 million), and also recently closed on a $300 million CDS-based LOC facility with UBS. All expire in 2016. CEG currently has $4.2 billion of credit facilities.

» The combination is expected to generate approximately $200 million of pre-tax annual cost synergies (excluding costs to achieve) in the first full year following closing, and run rate synergies of $260 million after 2013

» Sale of approximately 2.7 GW of CEG's coal assets located in Maryland are expected to be sold after merger close

» PECO and ComEd business plans would remain unchanged. PECO, which is the strongest of the three regulated subsidiaries, is expected to provide significant upstream dividends over the next couple years as its cash flow is expected to remain strong.

» BG&E business plans remain largely unchanged; however, there is a possibility for incremental customer credits that will be needed in order to secure Maryland PUC regulatory support.

» CEG's joint venture with EDF - is not impacted by the proposed transaction. That said, we would anticipate that EDF may be willing to contemplate a sale of its 49.9% ownership interest in CENG, particularly since the prospect of building a new nuclear plant in the United States has declined. CEG has the right of first refusal for any sale by EDF.

Timing

In addition to the approval of stockholders of both EXC and CEG, the transaction will require various state and federal regulatory approvals, including the Federal Energy Regulatory Commission, Nuclear Regulatory Commission, Maryland Public Service Commission, the New York Public Service Commission and the Public Utility Commission of Texas.

The key approval will be from the Maryland PSC where there is some history in not approving utility mergers involving CEG. Nevertheless, some comfort exists given the state's approval of the FE/AYE transaction. Exelon and CEG have offered concessions to BGE customers and we observe that the trading and retail headquarters will be in Maryland,

» Another key approval will be from FERC and it is expected that the asset sales described above will be required to address market power issues. Shareholder approval is targeted for third quarter 2011.

» NRC, FERC, DOJ, and Maryland approval expected in between third quarter of 2011 and first quarter of 2012.

» Merger close is expected first quarter 2012.

Financial Metric Comparison

Below are the historical and projected financial metrics for each of the rated issuer entities as well as the rationale for the proposed rating action for the three T&D utilities.

ComEd – ComEd's Baa3 rating and stable outlook reflects the strong credit metrics that exist for the rating category balanced against a very challenging regulatory environment. The company has a rate case before the Illinois Commerce Commission (ICC). The company has requested $343 million of incremental revenues, while staff has filed testimony in support of $113 million. Earlier this month, an Illinois ALJ recommended approval of a $152 million rate increase or approximately 2.7% increase on a customer's total bill. A decision is expected towards the end of May. Also, ComEd along with legislators, have proposed a bill which would move the ICC regulatory framework to one that is more similar to a FERC formulaic framework. The outcome of the ICC rate case and the framework legislation are primary considerations for a higher rating at ComEd.

PECO – PECO's A3 senior unsecured rating remains well-positioned in the rating category. The company just received a generally favorable decision from the Pennsylvania Public Utilities Commission (PAPUC) in December 2010 which will set revenues for the next several years. While the projections might argue for a higher rating at PECO, the company does plan to pay dividends equal to 100% of earnings over the next couple years, such that the ratio of CFO pre-WC LESS dividends to Debt positions the ratings more in-line with a mid-Baa rated entity.

BG&E – Affirm the rating and maintain the positive rating outlook. The rating affirmation considers the benefits of the merger, the generally credit benign implications for BG&E, offset in part by the uncertainty relating to the approval process. The rating outlook remains positive. We view the approval of the merger by the PSC of Maryland as a significant challenge and the largest obstacle to completion. The regulatory environment in Maryland is unpredictable and the commission has not approved proposed utility mergers in the past. Our current expectation is for the approval process to be contentious and garnering support for the transaction could potentially require further concessions by BGE beyond what is being proposed that may negatively impact its credit profile.

Other Commentary on 2010 Financial Results and Notable Subsequent Events

- During 2010, CEG took a $2.5 billion after-tax, non-cash impairment charge primarily related to the joint venture with EDF.
- During 2011, CEG acquired Boston Generating assets which had filed for bankruptcy. These assets will help support the company's retail business in New England.
- During 2010, PECO collected the last year of scheduled amortization charges related to the company's securitization. This is the primary reason that cash flow will decline substantially in 2011.

TABLE 4

Summary Historical Financial Metrics

Summary Metrics	2008	2009	2010
Exelon Corp			
(CFO Pre-W/C + Interest) / Interest Expense	6.9	6.7	7.3
(CFO Pre-W/C) / Debt	32%	36%	37%
(CFO Pre-W/C - Dividends) / Debt	24%	28%	29%
FCF / Debt	12%	10%	6%
Debt / Book Capitalization	53%	48%	46%
Exelon Generation Company			
(CFO Pre-W/C + Interest) / Interest Expense	17.1	15.3	14.2
(CFO Pre-W/C) / Debt	83%	76%	68%
(CFO Pre-W/C - Dividends) / Debt	47%	30%	41%
FCF / Debt	-4%	-2%	-2%
Debt / Book Capitalization	33%	34%	35%

TABLE 4

Summary Historical Financial Metrics

Summary Metrics	2008	2009	2010
PECO Energy Company			
(CFO Pre-W/C + Interest) / Interest Expense	5.6	6.4	6.1
(CFO Pre-W/C) / Debt	27%	33%	37%
(CFO Pre-W/C - Dividends) / Debt	15%	24%	29%
Debt / Book Capitalization	47%	42%	39%
Commonwealth Edison Company			
(CFO Pre-W/C + Interest) / Interest Expense	3.9	4.0	3.9
(CFO Pre-W/C) / Debt	18%	20%	20%
(CFO Pre-W/C - Dividends) / Debt	18%	16%	15%
Debt / Book Capitalization	42%	40%	39%
Constellation Energy			
(CFO Pre-W/C + Interest) / Interest Expense	2.0	5.6	6.6
(CFO Pre-W/C) / Debt	5%	42%	36%
(CFO Pre-W/C - Dividends) / Debt	1%	37%	32%
FCF / Debt	-32%	50%	-12%
Debt / Book Capitalization	68%	68%	33%
Baltimore Gas & Electric			
(CFO Pre-W/C + Interest) / Interest Expense	3.0	5.2	5.0
(CFO Pre-W/C) / Debt	10%	29%	25%
(CFO Pre-W/C - Dividends) / Debt	5%	41%	25%
Debt / Book Capitalization	64%	46%	41%

Rating Methodology Comparison

In the end, our rating methodology outcomes support a rating for ExGen at the upper end of the Baa-range. In addition, the potential rating downgrade for ExGen and EXC factors in the increased exposure to commodity activities that this transaction brings as best evidenced by the significant increase in off-balance obligations, a factor not specifically captured in the methodology.

Moreover, from a consistent strategy perspective, we believe it would appear difficult to expect EXC to acquire rate regulated businesses in the future, particularly if this transaction turns out to be successful. Even if that strategy is pursued, the size of a regulated acquisition would need to be very material to tilt the balance between unregulated and regulated operations given the size of EXC's unregulated footprint. Also, with the announcement of this transaction, we believe that the financial community might expect future acquisitions that expand this strategy as the premier unregulated power provider. All such potential candidates are rated Baa or below with some substantially lower.

TABLE 5

Rating Methodology – Regulated

			Factor 1:	Factor 2:	Factor 3:		Factor 4:				
Issuer	Current Rating	Indicated Rating	Regulatory Framework	Returns and Cost	Market Position	Fuel or Generation Diversity	Liquidity	3 Year Avg CFO pre-WC + Int / Int	3 Year Avg CFO pre-WC/ Debt	3 Year Avg RCF/Debt	3 Year Avg Adj. Debt/Cap or Debt/RAV
ComEd	Baa3	Baa2	Ba	Baa	Baa	n/a	Baa	3.9x	19%	16%	40%
PECO	A3	A3	Baa	Baa	Baa	n/a	A	6.0x	32%	22%	43%
BG&E	Baa2	Baa2	Ba	Baa	Baa	n/a	A	4.4x	20%	20%	50%

TABLE 6

Rating Methodology – Un-Regulated Power Companies

			Factor 1:		Factor 2:			Factor 3:	Factor 4:			
Issuer	Current Rating	Indicated Rating	Market & Competitive Position	Geographic Diversity	Effectiveness of Hedging Strategy	Fuel Strategy & Mix	Fleet Efficiency & Operational Characteristics	Financial Policy	3 Year Avg CFO pre-WC + Int / Int	3 Year Avg CFO pre-WC/ Debt	3 Year Avg RCF/Debt	3 Year Avg FCF/ Debt
EXC-Gen	A3	A2	A	Baa	Ba	Ba	Baa	A	15.4x	75%	58%	6%
EXC	Baa1	Baa1	A	Baa	Ba	Ba	Baa	A	7.0x	35%	35%	9%
CEG	Baa3	Baa3	Baa	Baa	Ba	Baa	Baa	Ba	4.6x	24%	21%	(3)%

Unregulated or merchant risks are balanced against the benefits that the transaction will bring from a business integration standpoint as the merger will quickly provide EXC with a national retail distribution business that complements its generation business and enhances the prospects for liquidity.

While the transaction makes sound business sense and may reduce some of the volatility that exists today in both companies' unregulated power business, it does increase the unregulated footprint for the merged company and adds incremental marketing, trading and commodity related risks to the merged enterprise that does not exist today within EXC portfolio. For these reasons, the higher risk strategy of this combination should have higher metrics than its peers for the same rating category.

Comparable company review

TABLE 7

Summary Historical Financial Metrics

Summary CFO pre-w/c / debt metrics	Rating	Outlook	2008	2009	2010
Exelon Corp	Baa1	RUR-Down	32%	36%	37%
Constellation	Baa3	Positive	5%	42%	35%
Pro-forma combined			23%	37%	37%
NextEra	Baa1	Stable			
PSEG	Baa2	Stable	22%	26%	32%
Entergy	Baa3	Stable	18%	22%	32%
FirstEnergy	Baa3	Stable	16%	16%	16%
PPL Corp	Baa3	Stable	16%	19%	19%
Exelon Generation	A3	RUR-Down	83%	76%	68%
PSEG Power	Baa1	Stable	43%	43%	44%
First Energy Solutions	Baa2	RUR-Down	18%	22%	18%
PPL Energy Supply	Baa2	Stable	15%	13%	29%

Conclusion

From Exelon's perspective, Exelon's proposed acquisition of Constellation is viewed as a net credit negative, despite the synergies and strategic rationale associated with balancing a large supply and demand position. That being said, we continue to view Exelon as well managed, and focused on a deliberate approach to growth and disciplined adherence to its acquisition criteria. As a result, it remains unclear, for now, whether this most recent attempt on acquiring Constellation will be successful. On the plus side, both Exelon and Constellation have effective constituency outreach efforts, and the final terms and conditions are likely to focus on job retention and local economic stimulus efforts.

Strategically, the combination of Exelon's long generation and Constellation short retail positions should bring sizeable benefits to the combined entity, although we continue to harbor concerns over the less transparent and notoriously volatile retail business (and its related trading and marketing operations).

Whether the acquisition closes or not, Exelon's ratings are most likely to fall by 1-notch, as evidenced by its review for possible downgrade. Constellation, on the other hand, now enjoys a positive rating outlook, primarily reflecting its pending merger with Exelon. Over the next 9 – 12 months, critical approvals should be attained, and our rating actions will be revised accordingly.

Moody's Related Research

Industry Outlooks:

» Regulation Provides Stability As Risks Mount, January 2011 (129930)

» U.S. Electric Utilities Face Challenges Beyond Near-Term, January 2011 (121717)

Rating Methodologies:

» Regulated Electric and Gas Utilities, August 2009 (118481)

» Unregulated Utilities and Power Companies, August 2009 (118508)

» Natural Gas Pipelines, December 2009 (121678)

» U.S. Electric Generation & Transmission Cooperatives, December 2009 (121189)

Special Comments:

» Oil Prices Signal Buoyant 2011 for Energy, But Natural Gas and Capacity Issues Pose Risks, January 2011 (129899)

» Investment-Grade, Unregulated Power: Not Immune to Rating Pressures, November 2010 (128985)

» U.S. Electric Utilities: Uncertain Times Ahead; Strengthening Balance Sheet Now Would Protect Credit, October 2010 (128462)

» Key Drivers for Utility and Power Sector Rating Actions in 2010, October 2010 (128381)

» Regulatory Frameworks – Ratings and Credit Quality for Investor-Owned Utilities, June 2010 (125664)

» Cost Recovery Provisions Key to Investor Owned Utility Ratings and Credit Quality, June 2010 (122304)

» U.S. Wholesale Merchant Energy: Bigger is Better, April 2010 (124300)

Special Comments on Liquidity/Hedging:

» Liquidity: A Key Component to Investor-Owned Utility Ratings and Credit Quality, September 2010 (127546)

» Refinancing Risk for Unregulated Power: All Eyes On 2012, March 2010 (123877)

» U.S. Electric G&T Cooperatives Not Immune to Liquidity Concerns, February 2010 (123245)

» Investor-Owned Utilities Face Significant Bank Facility Refinancing Risk as Substantial 2011-2012 Maturities Approach, October 2009 (120596)

» Right-Way Hedging for Power Companies, June 2009 (117978)

Special Comments on Nuclear Generation:

» New Nukes in Texas Get a Jolt from Tokyo Electric, May 2010 (125233)

» Nuclear Extension in Germany: Positive Overall But Ratings Neutral, March 2010 (123203)

» New Nuclear Generation: Ratings Pressure Increasing, June 2009 (117883)

» New Nuclear Generating Capacity: Potential Credit Implications for U.S. Investor Owned Utilities, May 2008 (109152)

» Decommissioning and Waste Costs for a New Generation of Nuclear Power Stations, May 2008 (109086)

» Moody's Analytical Adjustments for Nuclear Energy Liabilities in EMEA, December 2007 (106604)

» New Nuclear Generation in the United States: Keeping Options Open vs Addressing An Inevitable Necessity, October 2007 (104977)

Special Comments on Natural Gas:

» Marcellus Stokes Pipeline Competition for the New York Gas Market, June 2010 (125833)

» Low Natural Gas Prices Chill North American Energy Sectors, While Others See Some Gains, April 2010, (124884)

» Evaluating Natural Gas Companies, February 2010 (123063)

» Oil and natural gas outlook: Supply and demand pressures persist, January 2010 (122453)

Special Comments on Environmental Risks:

» The 21st Century Electric Utility: Substantial uncertainties exist when assessing long-term credit implications, May 2010 (124891)

» U.S. Electric Utilities See Some Clarity in Evolving Federal Energy Policies, February 2010 (123062)

» Carbon Risks Becoming More Imminent for U.S. Electric Utility Sector, March 2009 (115175)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

MOODY'S INVESTORS SERVICE

» contacts continued from page 1

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Analyst Contacts:

NEW YORK	1.212.553.1653
Natividad Martel *Analyst* Natividad.Martel@moodys.com	1.212.553.4561
Wesley Smyth *Vice President - Senior Accounting Analyst* Wesley.Smyth@moodys.com	1.212.553.2733
John Grause *Associate Analyst* John.Grause@moodys.com	1.212.553.7214
William L. Hess *Managing Director - Utilities* William.Hess@moodys.com	1.212.553.3837

Author
A.J. Sabatelle

Production Specialist
Wendy Kroeker

MOODY'S
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Constellation Energy Purchase Is Credit Negative for Exelon

Extracted from "Moody's Weekly Credit Outlook", dated May 2, 2011

Last Thursday, Exelon Corp. (Baa1 review for downgrade) said it intends to acquire Constellation Energy (Baa3 positive) in a stock deal valued at $7.9 billion, thereby creating the largest unregulated power company in the US. While the deal provides significant strategic benefits, it is credit negative for Exelon: we estimate the purchase will triple Exelon's off-balance-sheet leverage and expose the merged company to earnings and cashflow volatility.

As a result of the merger announcement, we placed the ratings of both Exelon and its principal unregulated power company, Exelon Generation (A3 review for downgrade), on review for downgrade and changed Constellation's rating outlook to positive.

The merger, which the companies expect to complete in early 2012, will lead to a decline in Exelon's consolidated financial metrics, driven by weak wholesale power prices and a substantial increase in off-balance-sheet leverage arising from the addition of Constellation's third-party guarantees and other potential calls on capital. We also expect continued volatility for the combined entity's earnings and cashflow owing to its large unregulated business platform, whose revenues will depend largely on the price at which the company can sell the power generated by its merchant power plants.

The combined company will be both the largest unregulated generation company as measured by production, and the largest retail energy supplier in North America. We estimate unregulated operations collectively will account for at least 65% of combined operations during periods of low power prices, as exist today, and at least 80% of consolidated results when power generation margins are higher.

Given the size of its unregulated footprint, Exelon will be challenged to transform its business mix into one that is more balanced between unregulated and regulated operations. By leaning heavily toward the unregulated segment, Exelon's revenues will remain exposed to more volatile unregulated power prices. We think the combined company's management and board of directors will be inclined to pursue acquisitions of unregulated power generators as a natural extension of its existing strategy. (Acquiring unregulated power plants is typically faster and easier than acquiring regulated assets.)

A key strategic benefit of the deal will be Exelon's ability to link its large power-generation supply with Constellation's large retail loads. Additional benefits include capturing cost synergies, reducing consolidated liquidity requirements and potentially achieving better margins for the retail load.

Still, some of the businesses that Exelon is acquiring from Constellation, such as its upstream gas and coal-handling businesses, which do not complement the unregulated power business, add to the combined company's capital and liquidity requirements and so increase the company's exposure to the commodity business platform. Consequently, we see the merged company embracing higher risk than did Exelon alone. For this reason, we believe the merged company's credit metrics may need to be stronger than those of similarly rated peers if it is to continue and maintain access to ample sources of liquidity.

Report Number: 132948

Author
A.J. Sabatelle

Senior Production Associate
Diana Brimson

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July 30, 2010

Commonwealth Edison Co.

Primary Credit Analyst:
Gabe Grosberg, New York (1) 212-438-6043; gabe_grosberg@standardandpoors.com

Secondary Credit Analyst:
Aneesh Prabhu, New York (1) 212-438-1285; aneesh_prabhu@standardandpoors.com

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Commonwealth Edison Co.

Major Rating Factors

Corporate Credit Rating
BBB/Stable/A-2

Strengths:
- Lower risk transmission and distribution electric utility;
- More than adequate cash flow measures for current rating; and
- Prudent management of O&M costs and capital expenditures during the recession.

Weaknesses:
- Association with Exelon's non-regulated businesses; and
- Potentially increasing regulatory risk.

Rationale

The ratings on Commonwealth Edison Co. (ComEd) reflect the consolidated credit profile of parent Exelon Corp. Exelon's other considerable subsidiaries include regulated PECO Energy Co. and unregulated Exelon Generation Co. LLC. In general, ComEd's ratings are limited to the lower of Exelon's consolidated rating or ComEd's standalone credit quality. The ratings also reflect ComEd's 'excellent' business risk profile and Exelon's 'significant' financial risk profile. As of June 30, 2010, the Chicago-based Exelon had about $12.3 billion in total debt outstanding. Based on the combination of future earnings, cash flow, and capital expenditures, we currently view ComEd as accounting for of about 15% of Exelon.

The 'excellent' business risk profile reflects ComEd's lower-risk transmission and distribution operations. ComEd serves about 3.8 million electric customers in the city of Chicago and surrounding area. Additionally, ComEd maintains electric transmission lines that comprise of about 23% of company's total rate base. The company's distribution rates are regulated by the Illinois Commerce Commission and the transmission rates are regulated by the Federal Energy Regulatory Commission. Overall, we view the distribution and transmission businesses as lower risk than the generation businesses that are included in many fully integrated electric utilities.

Earlier in 2010, Standard & Poor's revised its assessment of the Illinois regulation to 'less credit supportive' from 'least credit supportive'. The change reflected our view that this Illinois regulatory climate had returned to stability in the legislative and regulatory environment after the disruption experienced during the state's transition to competition. Our revised assessment was partially based on the thirteen constructive rate case orders from 2008 until the beginning of 2010. These developments clearly pointed to a decreasing regulatory risk. However, in March 2010, Ameren, received rate case orders for their electric and gas businesses that we viewed as not conducive to credit quality. Recently, ComEd filed for a $396 million rate increase and some of the issues that affected Ameren's rate case outcome could potentially negatively affect ComEd's rate case order. The Commission's order is expected before June 2011.

The 'significant' financial risk profile reflects Exelon's strong financial measures of adjusted FFO to debt at about 40% (excluding utilities) and about 28% consolidated that could be negatively affected in the medium term by continued weakness in merchant power markets. ComEd's stand-alone financial measures have steadily strengthened during the past year primarily due to its rate case increase. In 2009, the company was able to partially offset the recession and mild weather by proactively reducing its O&M costs and capital expenditures. For the 12 months ended March 31, 2010, adjusted funds from operations (FFO) to debt was 17.5% or lower than the 19.9% at the end of 2009, adjusted debt to EBITDA was 4.2x or slightly below the 4.4x at year-end 2009, and adjusted debt to total capital was 47% or approximately the same as year-end 2009. Given ComEd's 'excellent' business risk profile and current 'BBB' corporate credit rating, we expect that its standalone financial measures will minimally and consistently meet the following: adjusted FFO to debt greater than 14.0% and adjusted debt to total capital below 50%.

Short-term credit factors

The short-term rating on ComEd is 'A-2' and its liquidity is 'strong' under Standard & Poor's corporate liquidity methodology, which categorizes liquidity in five standard descriptors (exceptional, strong, adequate, less than adequate, and weak). 'Strong' liquidity supports ComEd's 'BBB' corporate credit rating. Projected sources of liquidity, mainly operating cash flow and available bank lines, exceed projected uses, necessary capital expenditures, debt maturities, and common dividends by more than 1.5x. ComEd's ability to absorb high-impact, low-probability events with limited need for refinancing, its flexibility to lower capital spending, its well established bank relationships, its general high standing in the credit markets, and prudent risk management further support our description of liquidity as 'strong'.

As of June 30, 2010, ComEd had cash and cash equivalents of $41 million and a $1 billion revolving credit facility, of which $711 million was available after outstanding commercial paper. The credit facility was recently renewed and expires in March 2013. ComEd is required to minimally maintain cash from operations to interest expense of 2.0x and as of June 30, 2010, the company' was in compliance with this financial covenant.

ComEd is expected to have negative discretionary cash flow over near and intermediate term primarily due to its large annual capital expenditures of approximately $1 billion. In addition, ComEd has material long-term maturities with $347 million and $450 million becoming due in 2011 and 2012, respectively. We expect that the company will meet these cash shortfalls with increasing debt issuance.

Outlook

The stable rating outlook reflects Standard and Poor's baseline forecast that ComEd's FFO to debt will consistently exceed 15% over the near to intermediate term. Fundamental to our forecast is the outcome of the company's rate case filing, the timing and the potential cash outflow from ComEd's outstanding tax issues with the Internal Revenue Service, and a gradual slow economic recovery. Because ComEd's credit rating is limited to the lower of its standalone credit rating or parent Exelon's credit rating, a ComEd upgrade would require a ratings upgrade at Exelon concurrent with ComEd standalone credit quality that is reflective of the higher rating. A ratings downgrade could occur if there is a relapse in the regulatory or political environments in Illinois, ComEd's stand-alone financial measure do not consistently meet the minimal standard expected for the current rating, or Exelon is downgraded.

Related Criteria And Research

- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, May 27, 2009.
- 2008 Corporate Criteria: Analytical Methodology, April 15, 2008.

Table 1.

Exelon Corp. -- Peer Comparison*

Industry Sector: Energy					
	Exelon Corp.	Constellation Energy Group Inc.	Dominion Resources Inc.	NextEra Energy Inc.	Public Service Enterprise Group Inc.
Rating as of July 29, 2010	BBB/Stable/A-2	BBB-/Stable/A-3	A-/Stable/A-2	A-/Stable/--	BBB/Stable/A-2
	--Average of past three fiscal years--				
(Mil. $)					
Revenues	17,385.7	18,805.5	15,690.5	15,422.7	12,061.4
Net income from cont. oper.	2,716.3	1,317.1	1,942.7	1,438.2	1,380.4
Funds from operations (FFO)	4,670.7	1,369.0	2,278.0	3,466.6	2,231.4
Capital expenditures	3,015.7	2,000.4	3,085.4	2,288.9	1,599.3
Debt	17,904.1	8,394.9	17,740.2	13,274.2	8,389.1
Equity	11,582.5	6,413.3	11,113.6	12,856.3	7,719.8
Adjusted ratios					
Oper. income (bef. D&A)/revenues (%)	35.6	11.3	26.9	24.2	28.7
EBIT interest coverage (x)	5.8	2.7	2.8	3.4	5.8
EBITDA interest coverage (x)	6.9	3.9	3.9	5.6	7.1
Return on capital (%)	15.7	8.2	8.9	8.0	15.3
FFO/debt (%)	26.1	16.3	12.8	26.1	26.6
Debt/EBITDA (x)	2.9	4.5	4.3	3.5	2.4

*Fully adjusted (including postretirement obligations).

Table 2.

Exelon Corp. -- Financial Summary*

Industry Sector: Energy					
	--Fiscal year ended Dec. 31--				
	2009	2008	2007	2006	2005
Rating history	BBB/Stable/A-2	BBB/Watch Neg/A-2	BBB+/Stable/A-2	BBB+/Watch Neg/A-2	BBB+/Watch Neg/A-2
(Mil. $)					
Revenues	16,558.0	17,869.0	17,730.0	14,518.0	14,244.0
Net income from continuing operations	2,706.0	2,717.0	2,726.0	1,590.0	951.0
Funds from operations (FFO)	5,372.5	4,526.6	4,113.1	3,776.7	3,011.2
Capital expenditures	3,215.8	3,135.4	2,695.9	2,381.0	2,143.0
Cash and short-term investments	2,010.0	1,271.0	311.0	224.0	140.0
Debt	18,891.1	18,965.2	15,855.9	15,122.5	15,853.2
Preferred stock	282.0	282.0	359.5	87.0	87.0
Equity	12,922.0	11,329.0	10,496.5	10,060.0	7,736.2
Debt and equity	31,813.1	30,294.2	26,352.4	25,182.5	23,589.4
Adjusted ratios					
EBIT interest coverage (x)	6.4	5.4	5.7	4.4	3.5

Table 2.

Exelon Corp. -- Financial Summary* (cont.)					
FFO int. cov. (x)	6.9	5.7	5.6	4.4	3.2
FFO/debt (%)	28.4	23.9	25.9	25.0	19.0
Discretionary cash flow/debt (%)	4.9	6.0	(2.5)	4.9	(4.1)
Net Cash Flow / Capex (%)	123.6	101.4	108.1	113.6	90.6
Debt/debt and equity (%)	59.4	62.6	60.2	60.1	67.2
Return on common equity (%)	22.3	25.3	26.6	16.3	10.0
Common dividend payout ratio (un-adj.) (%)	51.2	49.1	43.3	67.4	112.5

*Fully adjusted (including postretirement obligations).

Table 3.

Reconciliation Of Exelon Corp. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)*

	--Fiscal year ended Dec. 31, 2009--										
Exelon Corp. reported amounts											
	Debt	**Shareholders' equity**	**Revenues**	**Operating income (before D&A)**	**Operating income (before D&A)**	**Operating income (after D&A)**	**Interest expense**	**Cash flow from operations**	**Cash flow from operations**	**Dividends paid**	**Capital expenditures**
Reported	12,594.0	12,727.0	17,318.0	6,840.0	6,840.0	5,006.0	731.0	6,093.0	6,093.0	1,385.0	3,273.
Standard & Poor's adjustments											
Trade receivables sold or securitized	225.0	--	--	--	--	--	11.3	--	--	--	-
Operating leases	477.9	--	--	67.5	30.4	30.4	30.4	37.1	37.1	--	6.
Intermediate hybrids reported as debt	(195.0)	195.0	--	--	--	--	(12.5)	12.5	12.5	12.5	-
Postretirement benefit obligations	3,786.3	--	--	245.0	245.0	245.0	--	210.0	210.0	--	-
Additional items included in debt	150.0	--	--	--	--	--	--	--	--	--	-
Accrued interest not included in reported debt	170.0	--	--	--	--	--	--	--	--	--	-
Capitalized interest	--	--	--	--	--	--	64.0	(64.0)	(64.0)	--	(64.0
Share-based compensation expense	--	--	--	--	81.0	--	--	--	--	--	-
Securitized utility cost recovery	(415.0)	--	(760.0)	(760.0)	(760.0)	(51.0)	(51.0)	(709.0)	(709.0)	--	-
Power purchase agreements	2,098.0	--	--	319.6	319.6	129.6	129.6	190.0	190.0	--	-
Reclassification of nonoperating income (expenses)	--	--	--	--	--	399.0	--	--	--	--	-

Table 3.

Reconciliation Of Exelon Corp. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)* (cont.)											
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	--	--	(158.0)	--	--
US decommissioning fund contributions	--	--	--	--	--	--	--	(239.0)	(239.0)	--	--
Total adjustments	6,297.1	195.0	(760.0)	(127.9)	(84.0)	753.0	171.8	(562.5)	(720.5)	12.5	(57.2
Standard & Poor's adjusted amounts											
	Debt	**Equity**	**Revenues**	**Operating income (before D&A)**	**EBITDA**	**EBIT**	**Interest expense**	**Cash flow from operations**	**Funds from operations**	**Dividends paid**	**Capital expenditures**
Adjusted	18,891.1	12,922.0	16,558.0	6,712.1	6,756.0	5,759.0	902.8	5,530.5	5,372.5	1,397.5	3,215.8

*Exelon Corp. reported amounts shown are taken from the company's financial statements but might include adjustments made by data providers or reclassifications made by Standard & Poor's analysts. Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's-adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations, respectively). Consequently, the first section in some tables may feature duplicate descriptions and amounts.

Ratings Detail (As Of July 30, 2010)*	
Commonwealth Edison Co.	
Corporate Credit Rating	BBB/Stable/A-2
Commercial Paper	
Local Currency	A-2
Preferred Stock (1 Issue)	BB+
Senior Secured (21 Issues)	A-
Senior Secured (2 Issues)	A/Developing
Senior Unsecured (2 Issues)	BBB
Corporate Credit Ratings History	
22-Jul-2009	BBB/Stable/A-2
21-Oct-2008	BBB-/Watch Neg/A-3
11-Sep-2008	BBB-/Stable/A-3
29-Aug-2007	BB/Positive/B
01-Jun-2007	BB/Watch Neg/B
05-Oct-2006	BBB-/Watch Neg/A-3
03-Oct-2005	BBB+/Watch Neg/A-2
Business Risk Profile	Excellent
Financial Risk Profile	Significant

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

STANDARD & POOR'S

Global Credit Portal®
RatingsDirect®

July 30, 2010

Summary:

Commonwealth Edison Co.

Primary Credit Analyst:
Gabe Grosberg, New York (1) 212-438-6043; gabe_grosberg@standardandpoors.com

Secondary Credit Analyst:
Aneesh Prabhu, New York (1) 212-438-1285; aneesh_prabhu@standardandpoors.com

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Summary:

Commonwealth Edison Co.

Credit Rating: BBB/Stable/A-2

Rationale

The ratings on Commonwealth Edison Co. (ComEd) reflect the consolidated credit profile of parent Exelon Corp. Exelon's other considerable subsidiaries include regulated PECO Energy Co. and unregulated Exelon Generation Co. LLC. In general, ComEd's ratings are limited to the lower of Exelon's consolidated rating or ComEd's standalone credit quality. The ratings also reflect ComEd's 'excellent' business risk profile and Exelon's 'significant' financial risk profile. As of June 30, 2010, the Chicago-based Exelon had about $12.3 billion in total debt outstanding. Based on the combination of future earnings, cash flow, and capital expenditures, we currently view ComEd as accounting for of about 15% of Exelon.

The 'excellent' business risk profile reflects ComEd's lower-risk transmission and distribution operations. ComEd serves about 3.8 million electric customers in the city of Chicago and surrounding area. Additionally, ComEd maintains electric transmission lines that comprise of about 23% of company's total rate base. The company's distribution rates are regulated by the Illinois Commerce Commission and the transmission rates are regulated by the Federal Energy Regulatory Commission. Overall, we view the distribution and transmission businesses as lower risk than the generation businesses that are included in many fully integrated electric utilities.

Earlier in 2010, Standard & Poor's revised its assessment of the Illinois regulation to 'less credit supportive' from 'least credit supportive'. The change reflected our view that this Illinois regulatory climate had returned to stability in the legislative and regulatory environment after the disruption experienced during the state's transition to competition. Our revised assessment was partially based on the thirteen constructive rate case orders from 2008 until the beginning of 2010. These developments clearly pointed to a decreasing regulatory risk. However, in March 2010, Ameren, received rate case orders for their electric and gas businesses that we viewed as not conducive to credit quality. Recently, ComEd filed for a $396 million rate increase and some of the issues that affected Ameren's rate case outcome could potentially negatively affect ComEd's rate case order. The Commission's order is expected before June 2011.

The 'significant' financial risk profile reflects Exelon's strong financial measures of adjusted FFO to debt at about 40% (excluding utilities) and about 28% consolidated that could be negatively affected in the medium term by continued weakness in merchant power markets. ComEd's stand-alone financial measures have steadily strengthened during the past year primarily due to its rate case increase. In 2009, the company was able to partially offset the recession and mild weather by proactively reducing its O&M costs and capital expenditures. For the 12 months ended March 31, 2010, adjusted funds from operations (FFO) to debt was 17.5% or lower than the 19.9% at the end of 2009, adjusted debt to EBITDA was 4.2x or slightly below the 4.4x at year-end 2009, and adjusted debt to total capital was 47% or approximately the same as year-end 2009. Given ComEd's 'excellent' business risk profile and current 'BBB' corporate credit rating, we expect that its standalone financial measures will minimally and consistently meet the following: adjusted FFO to debt greater than 14.0% and adjusted debt to total capital below 50%.