

CASTLEGUARD ENERGY INC
Form 10QSB
May 13, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2004

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from _____ to _____

COMMISSION FILE NUMBER: 0-5525

CASTLEGUARD ENERGY, INC.
(Exact name of Registrant as specified in its charter)

Florida
(State or other jurisdiction of
of incorporation or organization)

75-2789691
(I.R.S. Employer
Identification No.)

17768 Preston Road, Dallas, Texas
(Address of principal executive offices)

75252
(Zip Code)

(214) 647-2110
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act:
Common Stock Without Par Value

(Title of Class)

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO []

At March 31, 2004, there were 17,364,626 Common shares outstanding.

Transitional Small Business Disclosure Format (check one): Yes [] No [X]

CASTLEGUARD ENERGY, INC.

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PART I.

Item 1. FINANCIAL STATEMENTS

INDEPENDENT ACCOUNTANTS' REPORT

Board of Directors
Castleguard Energy, Inc.

We have reviewed the accompanying balance sheet of Castleguard Energy, Inc. as of March 31, 2004, and the related statements of income, cash flows and stockholders' equity for the three month period then ended. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of analytical procedures applied to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

/s/ Whitley Penn

Dallas, Texas
May 13, 2004

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CASTLEGUARD ENERGY, INC.

BALANCE SHEETS

March 31, 2004 <u>(Unaudited)</u>	December 31, 2003 <u>(Audited)</u>
---	--

ASSETS

Current assets:

Cash and cash equivalents	\$	4,838	\$	9,501
		<u>70,041</u>		<u>2,319</u>
Accounts receivable				
Total current assets		74,879		11,820
Petroleum and natural gas interests, net		1,216,151		1,191,324
		<u>3,383</u>		<u>6,766</u>
Deferred debt issue costs, net				
		<u>1,294,413</u>		<u>1,209,910</u>
TOTAL ASSETS	\$		\$	

LIABILITIES & STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable and accrued liabilities	\$	67,571	\$	74,455
		<u>216,670</u>		<u>130,002</u>
Current portion of long-term debt				
Total current liabilities		284,241		204,457
Long-term debt, less current portion		12,329		18,997
		<u>50,458</u>		<u>47,042</u>
Deferred income taxes				
		<u>347,028</u>		<u>270,496</u>
TOTAL LIABILITIES				

Stockholders' equity:

Common stock, \$0.001 par value, 50,000,000 shares authorized; 19,226,626 shares issued; 17,364,626 outstanding		19,227		19,227
Paid-in capital		965,826		965,826
		<u>18,332</u>		<u>10,361</u>
Retained earnings				

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		1,003,385	995,414
		<u>(56,000)</u>	<u>(56,000)</u>
Treasury stock, 1,862,000 shares at cost))
		<u>947,385</u>	<u>939,414</u>
Total stockholders' equity			
		<u>1,294,413</u>	<u>1,209,910</u>
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$		\$

See accompanying notes to financial statements.

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CASTLEGUARD ENERGY, INC.

STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended	
	<u>March 31,</u>	
	<u>2004</u>	<u>2003</u>
Oil and gas sales	\$ <u>77,043</u>	\$ <u>190,789</u>
Expenses:		
Lease operating expense and taxes	16,314	22,563
Depreciation, depletion and amortization	11,732	28,123
General and administrative	<u>31,706</u>	<u>45,267</u>
	<u>59,752</u>	<u>95,953</u>
Income from operations	17,291	94,836
Interest and financing costs	<u>(5,903)</u>	<u>(7,608)</u>
))

Income before income taxes	11,388	87,228
Provision for income taxes	<u>3,417</u>	<u>27,000</u>
Net income	\$ <u>7,971</u>	\$ <u>60,228</u>
Basic and diluted earnings per common share	\$ <u>.00</u>	\$ <u>.00</u>
Weighted average number of common shares outstanding (Thousands)	<u>17,365</u>	<u>17,365</u>

See accompanying notes to financial statements.

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CASTLEGUARD ENERGY INC.

STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended	
	<u>March 31,</u>	
	<u>2004</u>	<u>2003</u>

Cash Flows from Operating Activities:

Net income	\$ 7,971	\$ 60,228
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Adjustments to reconcile net income to net cash		
Used in operating activities:		
Depreciation, depletion and amortization	11,732	28,123
Deferred income taxes	3,417	27,000
Amortization of financing costs	3,383	2,900
Change in assets and liabilities:		
Accounts receivable, accounts payable and accrued liabilities	<u>(74,604)</u>	<u>(135,664)</u>
))
Net cash used in operating activities	<u>(48,101)</u>	<u>(17,413)</u>
))
Cash Flows from Investing Activities:		
Additions to petroleum and natural gas interests	(36,562)	(27,863)
Proceeds from sale of petroleum and natural gas interests	<u> </u>	<u>104,802</u>
Net cash provided by (used in) investing activities	<u>(36,562)</u>	<u>76,939</u>
))
Cash Flows from Financing Activities:		
Proceeds from borrowings	80,000	
Payments on long-term debt	<u> </u>	<u>(115,001)</u>
Net cash provided by (used in) financing activities	<u>80,000</u>	<u>(115,001)</u>
))
Net decrease in cash and cash equivalents	(4,663)	(55,475)
Cash and cash equivalents, beginning of period	<u>9,501</u>	<u>126,823</u>
Cash and cash equivalents, end of period	\$ <u>4,838</u>	\$ <u>71,348</u>
Supplemental information:		
Interest paid	\$ 1,321	\$ 4,708

See accompanying notes to financial statements.

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CASTLEGUARD ENERGY, INC.

STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited for year 2004 first quarter)

	<u>Common Stock</u>		<u>Paid-in</u>	<u>Treasury</u>	<u>Retained</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Capital</u>	<u>Stock</u>	<u>Earnings</u>	<u>Stockholders'</u>
						<u>Equity</u>
Balance, December 31, 2002	19,226,626	\$ 19,227	\$ 965,826	\$ (56,000)	\$ 132,902	\$ 1,061,955
Net loss 2003	_____	_____	_____	_____	<u>(122,541)</u>	<u>(122,541)</u>
))
Balance, December 31, 2003	19,226,626	19,227	965,826	(56,000)	10,361	939,414
Net income	_____	_____	_____	_____	<u>7,971</u>	<u>7,971</u>
Balance, March 31, 2004	<u>19,226,626</u>	<u>\$ 19,227</u>	<u>\$ 965,826</u>	<u>\$ (56,000)</u>	<u>\$ 18,332</u>	<u>\$ 947,385</u>

See accompanying notes to financial statements.

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CASTLEGUARD ENERGY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies and Practices

(a) Description of Business

Castleguard Energy, Inc. is an independent energy company engaged in the exploration for and the acquisition, development and exploitation of crude oil and natural gas properties, and in the production of crude oil and natural gas in North America through working interests operated by other parties. The Company's activities are conducted in the states of Louisiana, Texas and Alabama. The Company's corporate offices are located in Dallas, Texas.

(b) Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-QSB of Regulation S-B. They do not include all information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. However, except as disclosed herein, there has been no material change in the information disclosed in the notes to the financial statements for the year ended December 31, 2003 included in the Company's Annual Report on Form 10-KSB filed with the Securities and Exchange Commission. The interim unaudited financial statements should be read in conjunction with those financial statements included in the Form 10-KSB. In the opinion of management, all adjustments considered necessary for a fair presentation, consisting solely of normal recurring adjustments, have been made. Operating results for the three months ended March 31, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004.

(c) Net Income per Weighted Average Share

Basic net income per weighted average share is calculated using the weighted average number of shares of common stock outstanding.

(d) Oil and Gas Sales

Petroleum and natural gas sales are recognized upon delivery to the metered point upstream of the pipeline connection.

Note 2 - Long-Term Debt

In October 2003, the Company entered into a revised debt agreement with a commercial bank. The agreement provides for a \$2,000,000 term note with an initial borrowing base of \$322,333 which is reduced at the rate of \$21,667 per month. Principal payments of \$21,667 per month are due when the amounts outstanding on this note exceed the borrowing base. At March 31, 2004, the borrowing base was \$213,998 and the outstanding note balance was \$228,999. Interest is payable monthly at the bank's prime rate (4.0% at March 31, 2004) plus .75 percent. The note is collateralized by all of the Company's oil and gas properties. Debt covenants restrict other debt, pledge of assets, sales of assets, payment of dividends, mergers and changes in ownership.

In March 2004, the Company extended until June 2004 the due date of principal payments which were required by the agreement. Payments of \$21,667 a month plus interest will now be due starting in June 2004.

CASTLEGUARD ENERGY, INC

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

This Quarterly Report on Form 10-QSB includes "forward-looking" statements within the meaning of Section 27a of the Securities Act of 1933, as amended (the "Securities Act"), and section 21e of the Securities Exchange Act of 1934, as amended (the "exchange act"). Specifically, all statements other than statements of historical facts included in this report regarding Castleguard Energy Inc.'s financial position, business strategy and plans and objectives of management of the Company for future operations are forward- looking statements. These forward-looking statements are based on the beliefs of the Company's management as well as assumptions made by and information currently available to the Company's management. When used in this report, the words "anticipate," "believe," "estimate," "expect" and "intend" and words or phrases of similar import, as they relate to the Company or Company management, are intended to identify forward-looking statements. Such statements reflect the current view of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions related to certain factors including, without limitation, price levels for oil and natural gas, concentration of oil and natural gas reserves and production, drilling risks, uncertainty of oil and gas reserves, risks associated with the development of additional revenues and with the acquisition of oil and gas properties and other energy assets, operating hazards and uninsured risks, general economic conditions, governmental regulation, changes in industry practices, marketing risks, one time events and other factors described herein ("cautionary statements"). Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Based upon changing conditions, should any one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended. The Company does not intend to update these forward- looking statements. All subsequent written and oral forward- looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the applicable cautionary statements. Reference is made to disclosure regarding "Forward-Looking Statements and Cautionary Statements" included in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2003, which is incorporated herein by reference.

The Company is an independent oil and gas exploration company whose strategic focus is the application of advanced seismic imaging and computer-aided exploration technologies in the systematic search for commercial hydrocarbon reserves, primarily in the states of Texas and Louisiana. The Company attempts to leverage its technical experience and expertise with seismic technology to identify exploration and exploitation projects with significant potential economic return. The company intends to participate in selected exploration projects as a non-operating, working interest owner, sharing both risk and rewards with its partners. The Company has and will continue to pursue exploration opportunities in regions where the Company believes significant opportunity for discovery of oil and gas exists. By reducing drilling risk through seismic technology, the Company seeks to improve the expected return on investment in its oil and gas exploration projects. The Company attempts to limit capital requirements by forming industry alliances and exchanges a portion of its interest for cash and/or a carried interest in its exploration projects.

RESULTS OF OPERATIONS

Three Month Periods Ended March 31, 2004 vs. 2003

First quarter 2004 (this year) net income declined to \$7,971 (\$.00 per share) from \$60,228 (\$.00 per share)

in the first quarter of 2003 (last year) as the result of a 56% decline in natural gas volumes and a 17% decline in prices realized for sales of natural gas compared to the first quarter of 2003. Natural gas sales volumes were 9,665 mcf this year versus 21,978 mcf last year and oil production declined to 670 barrels from 1,290 barrels last year. The production declines were attributable to lower production rates from our Minden Louisiana field whose production rates started to decline in the last half of 2002 when we experienced mechanical problems with some of the wells. Although workover of the wells was successful, the production rates continue to decline more rapidly than our original expectations.

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The combination of lower production and lower prices for natural gas resulted in a 60% decline in revenues to \$77,043 from \$190,789 in 2003.

Expenses followed revenues in a decline, but to lesser degrees, resulting in an 82% decline in operating income to \$17,291 in 2004 from \$94,836 in 2003. Interest and financing costs were less than last year from lower debt levels during the 2004 quarter.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operations for the three months of 2004 produced \$26,503 in cash flow before changes in working capital. Cash was also provided by \$80,000 in bank borrowings pursuant to the Company's revolving credit arrangement. The cash generated was used to satisfy obligations and to fund our share of a new well in the Minden field which was completed in late April 2004. Borrowings in the first quarter took down the maximum available from the banking arrangement. We also extended until June 2004, the due date of principal payments on the arrangement. Our ability to make reductions of the debt depends on cash flow from the new well and will likely require us to rearrange repayment terms, seek other alterations to the revolver and/or seek other sources of capital. The Board of Directors is closely monitoring the availability of revenues and considering options for capital.

Item 3. CONTROLS AND PROCEDURES

- (a) Evaluation of disclosure controls and procedures.

The President/Secretary/Treasurer/Director of the Company has conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures pursuant to Rule 13a-14 under the Securities Exchange Act of 1934 as of the end of the period covered by this report. Based upon that evaluation, the President/ Secretary/Treasurer/Director concluded that the Company's disclosure controls and procedures were effective in ensuring that all material information relating to the Company required to be filed in this quarterly report has been made known to them in a timely manner.

(b) Changes in internal controls.

There have been no significant changes made in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the end of the period covered by this report.

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Part II. Other Information

Item 1. Legal Proceedings

Not Applicable

Item 2. Changes in Securities and Use of Proceeds

Not Applicable

Item 3. Defaults Upon Senior Securities

Not Applicable

Item 4. Submission of Matters to a Vote of Security Holders

Not Applicable

Item 5. Other Information

Not Applicable

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits -

31.1 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K -

8-K filed April 19, 2004, detailing the appointment of Harvey Jury as President, Secretary and Treasurer of the Company.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CASTLEGUARD ENERGY, INC.

May 13, 2004

/s/ Harvey Jury
By: Harvey Jury, Director and President

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Exhibit Index

- 31.1 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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4 159,815 189,328 217,613 244,949 400,000 79,893 127,836 172,247 213,909 253,435 291,303 327,885 500,000
100,017 160,109 215,780 268,003 317,543 364,994 410,822 600,000 120,140 192,383 259,313 322,097 381,650
438,684 493,758 700,000 140,263 224,656 302,846 376,191 445,757 512,375 576,694 800,000 160,386 256,929
346,379 430,286 509,864 586,065 659,630 900,000 180,510 289,202 389,912 484,380 573,972 659,755 742,567
1,000,000 200,633 321,476 433,445 538,474 638,079 733,446 825,503

----- The approximate number of years of credited service under ComEd's pension programs for the persons named in the Summary Compensation Table are as follows: John W. Rowe, 24 years; Oliver D. Kingsley, 20 years; Pamela B. Strobel, 9 years, and Randall E. Mehrberg, 1 year. Ms. Strobel will be credited with an additional 9 years upon attaining age 50. EMPLOYMENT

AGREEMENTS EMPLOYMENT AGREEMENT WITH JOHN W. ROWE Exelon entered into an amended employment agreement with Mr. Rowe, which amended and restated his employment agreement with Unicom Corporation and Commonwealth Edison Company in effect at the time of the merger forming Exelon (the "prior agreement") and under which Mr. Rowe will serve as: - co-chief executive officer and president of Exelon, chairman of the executive committee of the Exelon board of directors and a member of the Exelon board of directors during the first half of the transition period provided for in Exelon's Bylaws, which is defined as the period from the effective time of the merger forming Exelon (October 20, 2000) until December 31, 2003, - co-chief executive officer of Exelon, chairman of the Exelon board of directors and a member of the Exelon board of directors during the second half of the transition period, and - chief executive officer of Exelon, chairman of the Exelon board of directors and a member of the Exelon board of directors after the transition period. Mr. Rowe will succeed to the position of sole chief executive officer of Exelon or chairman of the Exelon board of directors if: - prior to the end of the transition period, Mr. McNeill should cease to be a co-chief executive officer of Exelon or the chairman of the Exelon board of directors, and - Mr. Rowe is still a co-chief executive officer of Exelon at that time. Mr. Rowe will receive an annual base salary determined by Exelon's compensation committee. Mr. Rowe will be eligible to participate in annual incentive award programs, long-term incentive plans and stock option plans on the same basis as other senior executives of Exelon. The agreement provided that a grant of options would be considered at the time the merger was completed. Mr. Rowe is entitled to participate in all savings, deferred compensation, retirement and other employee benefit plans generally available to other senior executives of Exelon. During the transition period, Mr. Rowe's base salary and participation in the plans and awards described in this paragraph will be in an amount or on a basis that is not less than that of Mr. McNeill's or on which Mr. McNeill participates. Under his amended employment agreement and the prior agreement, Mr. Rowe is entitled to receive a special supplemental executive retirement plan, or SERP, benefit if he terminates due to normal retirement, early retirement, termination without cause, termination for good reason, death or disability or if he voluntarily terminates his employment for any other reason. The term "good reason" includes the failure to appoint Mr. Rowe to the management and Exelon board of director positions described above. The special SERP benefit will equal the SERP benefit that Mr. Rowe would have received if: - he had attained age 60 (or his actual age, if greater), - he had earned 20 years of service on March 16, 1998 and one additional year of service on each anniversary after that date and prior to termination, and - his annual incentive awards for each of 1998 and 1999 had been \$300,000 greater than the annual incentive awards he actually received for those years. Except as provided in the next paragraph, if Exelon terminates Mr. Rowe's employment for reasons other than cause, death or disability or if he should terminate employment for good reason on or after December 31, 2004 and not within 24 months following a change in control of Exelon, he would be entitled to the following benefits: - a prorated annual incentive award for the year in which termination occurs, - severance payments equal to his base salary for two years after termination, and for each year during such period an amount equal to the average of the annual incentive awards paid to him with respect to the three years preceding the year of termination or, if greater, his annual incentive award for the year before termination, - for the two-year period, continuation of his life, disability, accident, health and other welfare benefits, plus the retirement benefits described above and post-retirement health care coverage, - all of his exercisable options would remain exercisable until the applicable option expiration date, - unvested options would continue to become exercisable during the two-year continuation period and thereafter remain exercisable until the applicable option expiration date, and - all compensation earned through the date of termination and coverage and benefits under all benefit plans to which he is entitled. Mr. Rowe will receive the termination benefits described in "Change in Control and Severance Arrangements" below, rather than the benefits described in the previous paragraph, if Exelon terminates Mr. Rowe without cause or he terminates with good reason and - the termination occurs within 24 months after a change in control of Exelon, or - the termination occurs at any other time prior to the earlier of normal retirement or December 31, 2004, or 32 - the termination occurs at any other time on and before normal retirement because of the failure to appoint or elect Mr. Rowe to the management or Exelon board of director positions described above. EMPLOYMENT ARRANGEMENT WITH CORBIN A. MCNEILL, JR. Although Exelon has not entered into an employment agreement with Mr. McNeill, the merger agreement provided that at any time during the transition period when Messrs. McNeill and Rowe are co-chief executive officers, each of them will receive the same salary, bonus and other compensation (including option grants and other incentive awards and all other forms of compensation) and enjoy the same other benefits and the same employment security arrangements as the other. In February 2002, Mr. McNeill announced that he will retire as an officer and director of

Exelon effective immediately after the 2002 annual meeting of shareholders. Under an agreement approved by the board of directors of Exelon, Mr. McNeill will receive the termination benefits described in 'Change in Control Severance Arrangements' below upon his retirement. EMPLOYMENT AGREEMENT WITH OLIVER D. KINGSLEY, JR. ComEd entered into an employment agreement with Oliver D. Kingsley, Jr. pursuant to which he became Executive Vice President and President and Chief Nuclear Officer--Nuclear Generation Group, effective November 1, 1997. The agreement provides for a guaranteed increase in annual base salary of at least 4% per year, beginning in 1999. Mr. Kingsley received an option to purchase 25,000 shares of common stock with an option price equal to the fair market value of the common stock as of November 1, 1997. Such option became exercisable in equal installments on November 1 of 1998, 1999 and 2000, and expires on October 31, 2007. Mr. Kingsley also received a grant of 20,000 shares of restricted stock that vested in equal installments on November 1 of 1998, 1999 and 2000. Mr. Kingsley received \$375,000 as an inducement to enter into the employment agreement, and an annual living cost allowance equal to \$75,000 (increased by the amount of applicable taxes on such amount as so increased) for the first three years of the agreement term. Mr. Kingsley's employment agreement provides for a retirement benefit equal to the amount that would have been payable under the Service Annuity System (plus amounts payable under the ComEd Supplemental Management Retirement Plan) for an employee who retires at age 60 calculated based on the assumption that Mr. Kingsley had completed 15 years of credited service beginning with the third year of his employment and that such credited service increased by five years during each of the next two years, in addition to his actual years of credited service after five years of employment. The employment agreement with Mr. Kingsley provides for a lump sum severance payment to Mr. Kingsley if he should be terminated without cause equal to two times his base salary at the time of such termination, and a continuation of health and life insurance benefits for two years after the date of termination, plus retirement benefits (calculated as though he had completed at least 15 years of credited service if such termination occurs during the first two years of employment) and retire health care coverage. In addition, any unvested portion of the restricted stock granted under the agreement will immediately become fully vested and nonforfeitable. These benefits have been incorporated into a change in control severance agreement that became effective on October 20, 2000. See "Change in Control Severance Agreements" below. 33 Mr. Kingsley agreed not to use for his own benefit or disclose any confidential information of Unicom or ComEd during or after the term of his employment, and not to solicit any employee of ComEd for one year after the term of his employment with ComEd. CHANGE IN CONTROL SEVERANCE ARRANGEMENTS Exelon has entered into change in control agreements with certain senior executives which generally protect such executives' position and compensation levels through October 20, 2002 with respect to the Exelon merger in the case of certain officers, and for two years after certain future changes in control if such changes in control occur before June 1, 2003. The June 1, 2003 date is subject to annual extension if there is no change in control before June 1 of each year. In some cases, these agreements replaced change in control agreements with PECO Energy and Unicom which became effective upon the completion of the merger and which cover employment through October 20, 2002. A material adverse change in compensation or position is included in the definition of "good reason" for purposes of these agreements. If an executives resigns for good reason or if the executive's employment is terminated by the company other than for cause, severance pay and benefits become payable. The severance payments and benefits provided under the change in control agreements include: - Severance payments equal to either two and one-half or three multiplied by the sum of: - the employee's annual base salary, plus - an amount equal to the average of the annual incentive awards paid to the employee for the two years preceding the year of termination or, if greater, the target award under the annual incentive award program in which the employee participates for the year in which termination occurs. - A prorated annual incentive award for the year in which termination occurs. - Continuation of life, disability, accident, health and other welfare benefit coverage for three years; thereafter, if applicable, retiree coverage is available. - Outplacement services. - All of a terminated employee's exercisable options remain exercisable until the applicable option expiration date, and all unvested options become fully exercisable and remain so until the applicable option expiration date. - Any deferred stock units, restricted stock, or restricted share units become fully vested and any other long-term incentive plan award which is unvested would vest. - For purposes of determining benefits under the supplemental retirement plan or arrangement in which the employee participates, the employee will be credited with three additional years of credited service, age and compensation. - For purposes of determining eligibility for retiree welfare benefits, the employee will be deemed to have three additional years of service and age. - All compensation earned through the date of termination as well as all coverage and benefits under all benefit plans to which the employee is entitled. Pursuant to

the terms of offers of employment or employment agreements, certain employees are also entitled to additional service credits for purposes of retiree health care eligibility and for determining benefits under the supplemental retirement plan or arrangement in which they participate. 34 In connection with the severance benefits described above, each executive who was an employee of PECO Energy prior to the merger is subject to a non-compete agreement for 24 months from the applicable termination date. Although a participating employee does not have a duty to mitigate the amounts due from the company, continued welfare benefit coverage would be offset during the applicable continuation period by comparable coverage provided under welfare plans of another employer. Employees who are senior vice-presidents or above will receive an additional payment to cover excise taxes imposed under Section 4999 of the Internal Revenue Code on "excess parachute payments" or under similar state or local law if the after-tax amount of payments and benefits subject to these taxes exceeds 110% of the "safe harbor" amount that would not subject the employee to these excise taxes. If the after-tax amount, however, is less than 110% of the safe harbor amount, payments and benefits subject to these taxes would be reduced or eliminated to equal the safe harbor amount. Benefits payable to other employees subject to the excise taxes imposed under Section 4999 of the Internal Revenue Code will be reduced to the employees' safe harbor amount. 35 REPORT OF THE AUDIT COMMITTEE Management is responsible for Exelon's financial reporting process including its system of internal controls, and for the preparation of consolidated financial statements in accordance with generally accepted accounting principles. Exelon's independent accountants, PricewaterhouseCoopers LLP, are responsible for auditing those financial statements. The audit committee's responsibility is to monitor and review these processes. It is not the audit committee's responsibility to conduct auditing or accounting reviews or procedures. The audit committee members are not employees of Exelon and are not accountants or auditors by profession or experts in accounting or auditing. Accordingly, the audit committee has relied, without independent verification, on management's representation that the financial statements have been prepared with integrity and objectivity and in conformity with generally accepted accounting principles and on the representations of the independent accountants included in their report on Exelon's financial statements. The audit committee's oversight does not provide it with an independent basis to determine that management has maintained appropriate accounting and financial reporting principles or policies, or appropriate internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the audit committee's considerations and discussions with management and the independent accountants do not assure that Exelon's financial statements are presented in accordance with generally accepted accounting principles, that the audit of Exelon's financial statements has been carried out in accordance with generally accepted auditing standards or that Exelon's independent accountants are in fact "independent." The audit committee met seven times in 2001. In addition, in January 2002 the audit committee held a special meeting with Exelon's accounting staff and the independent accountants designed to provide the audit committee with an opportunity to learn more about recent Securities and Exchange Commission disclosure pronouncements, about the Enron failure and related disclosure ramifications, and about Exelon's balance sheet composition and Exelon's most important accounting policies. In fulfilling its responsibilities, the committee has reviewed and discussed the audited financial statements contained in the 2001 Annual Report on SEC Form 10-K with Exelon Corporation's management and the independent accountants. The committee discussed with the independent accountants the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended. In addition, the committee has discussed with the independent accountants the accountants' independence from Exelon Corporation and its management, including the matters in the written disclosures required by Independence Standard Board Standard No. 1, Independence Discussions with Audit Committees. In reliance on the reviews and discussions referred to above, the committee recommended to the Board of Directors (and the Board has approved) that the audited financial statements be included in Exelon Corporation's Annual Report on SEC Form 10-K for the year ended December 31, 2001, for filing with the Securities and Exchange Commission. February 25, 2002 AUDIT COMMITTEE Carlos H. Cantu, Chair Daniel L. Cooper Sue L. Gin John M. Palms 36 OTHER INFORMATION TRANSACTIONS WITH MANAGEMENT: Pamela B. Strobel, is an Executive Vice President of Exelon Corporation, the Vice Chair and Chief Executive Officer of Exelon Energy Delivery Company, and the Chairman of Commonwealth Edison Company (ComEd) and PECO Energy Company (PECO), all of which are subsidiaries of Exelon Corporation. Ms. Strobel's husband, Russ M. Strobel, was elected Executive Vice President, General Counsel and Secretary of Nicor Inc. ("Nicor") in January 2002. Since January 1, 2002, Nicor Gas, a subsidiary of Nicor, and ComEd have been parties to the following transactions, proposed transactions or business dealings: (1) Nicor Gas and

ComEd are parties to an interim agreement approved by the Illinois Commerce Commission under which they cooperate in cleaning up residue at former manufactured gas plant sites. Under the interim agreement, costs are split between Nicor Gas and ComEd, except that if they cannot agree upon a final allocation of costs, the interim agreement provides for arbitration. For the year 2001, Nicor Gas billed ComEd approximately \$955,170 under the interim agreement, and ComEd billed Nicor Gas approximately \$10,461,591. For year 2002, Nicor Gas estimates that it will bill ComEd \$5,000,000 and that ComEd will bill Nicor Gas \$18,000,000; (2) Nicor Gas and ComEd are parties to an agreement made in 2001 under which Nicor Gas will acquire approximately 23 miles of ComEd's right of way in connection with a pipeline project. ComEd received payments from Nicor Gas under this agreement of \$4,500,000 in 2001 and expects to receive payments of approximately \$4,500,000 in 2002. (3) Nicor Gas and ComEd are parties to a three-year agreement entered into in May 2000 pursuant to which Nicor Gas transports gas to an electric generating station in Rockford, Illinois. In 2001, Nicor Gas received approximately \$2,962,743 in payments under this agreement, and Nicor Gas estimates that it will receive payments of approximately \$3,000,000 from ComEd in 2002; (4) Nicor Energy, L.L.C. (Nicor Energy), a subsidiary of Nicor, in its capacity as a power marketer, purchases electricity from ComEd for resale to certain Nicor Energy customers. In 2001, the total amount of such purchases by Nicor Energy was approximately \$54,792,000, and in 2002 such purchases are expected to approximate \$42,000,000.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE: Based solely upon a review of copies of Section 16 reports provided to Exelon Corporation and written representations received from directors and executive officers that no other reports were required during 2001, Exelon believes that its directors and executive officers made all required filings during 2001 with three exceptions. Mr. McNeill was granted shares of deferred phantom stock in an exempt transaction. The grant was reflected in the Summary Compensation Table in Exelon's 2001 Proxy Statement, but the grant was not reported in Mr. McNeill's Form 5 for 2000. When the oversight was discovered, the grant was reported in Mr. McNeill's Form 5 for 2001. Mr. Snodgrass executed a cashless exercise of stock options in January 2001 but no Form 4 was filed for that month. When the oversight was discovered, the exercise and sale was reported in Mr. Snodgrass' Form 5 for 2001. Ms. Strobel executed cashless exercises of two sets of stock options on the same day in February 2001. Her Form 4 for that month reported the exercise and sale related to one of the grants but did not report the exercise and sale of the second grant. When the oversight was discovered, the exercise and sale was reported in Ms. Strobel's Form 5 for 2001.

37 APPENDIX A EXELON CORPORATION EMPLOYEE STOCK PURCHASE PLAN 1. PURPOSE. The purpose of the Exelon Corporation Employee Stock Purchase Plan (the "Plan") is to provide employees of Exelon Corporation, a Pennsylvania corporation (the "Company"), and its Subsidiary Companies (as defined below) added incentive to remain employed by such companies and to encourage increased efforts to promote the best interests of such companies by permitting eligible employees to purchase shares of common stock, no par value, of the Company ("Common Stock") at below-market prices. The Plan is intended to qualify as an "employee stock purchase plan" under section 423 of the Internal Revenue Code of 1986, as amended (the "Code"). For purposes of the Plan, the term "Subsidiary Companies" shall mean all corporations which are subsidiary corporations (within the meaning of Section 424(f) of the Code) and of which the Company is the common parent. The Company and its Subsidiary Companies that, from time to time, have been designated by the Plan Administrator as eligible to participate in the Plan with respect to their employees are hereinafter referred to collectively as the "Participating Companies."

2. ELIGIBILITY. (A) ELIGIBLE EMPLOYEE. Participation in the Plan shall be limited to each employee of the Participating Companies who satisfies all of the following conditions (an "Eligible Employee") as of the first day of the relevant Purchase Period (as defined in Section 3): (i) such employee's customary employment is for 20 or more hours per week; and (ii) such employee has been continuously employed by the Participating Companies for at least 3 consecutive calendar months. Notwithstanding the foregoing, an individual rendering services to a Participating Company pursuant to either of the following agreements shall not be considered an Eligible Employee with respect to any period preceding the date on which a court or administrative agency issues a final determination that such individual is an employee: (1) an agreement providing that such services are to be rendered as an independent contractor or (2) an agreement with an entity, including a leasing organization within the meaning of section 414(n)(2) of the Code, that is not a Participating Company.

(B) LIMITATIONS. Notwithstanding anything contained in the Plan to the contrary, no Eligible Employee shall acquire a right to purchase Common Stock hereunder to the extent that (i) immediately after receiving such right, such employee would own 5% or more of the total combined voting power or value of all classes of stock of the Company or any Subsidiary Company (including any stock attributable to such employee under section 424(d) of the

Code), or (ii) for any calendar year such right would permit such employee's aggregate rights to purchase stock under all employee stock purchase plans of the Company and its Subsidiary Companies exercisable during such calendar year to accrue at a rate which exceeds \$25,000 of fair market value of such stock for such calendar year. In addition, the number of shares of Common Stock which may be purchased by any Eligible Employee during any Purchase Period shall not exceed 125 (subject to adjustment pursuant to Section 12), or such other number as may be determined by the Plan Administrator (as defined in Section 11) and set forth in a written Appendix to the Plan. 3. EFFECTIVE DATE; PURCHASE PERIODS. (A) EFFECTIVE DATE. The Plan shall become effective on June 1, 2001 or on such later date as may be specified by the Board of Directors (the "Board") of the Company or the Plan Administrator (as defined in Section 11). The Plan shall cease to be effective unless, within 12 months after the date of its adoption by the Board, it has been approved by the shareholders of the Company. 38 APPENDIX A -- (CONTINUED) (B) PURCHASE PERIODS. A "Purchase Period" shall consist of the three consecutive month period beginning on each July 1, October 1, January 1 and April 1 commencing on or after the effective date of the Plan and prior to its termination. 4. PARTICIPATION. (A) ENROLLMENT. Each Eligible Employee shall be entitled to enroll in the Plan as of any Purchase Period which begins on or after such employee has become an Eligible Employee. To enroll in the Plan, an Eligible Employee shall make a request to the Company or its designated agent at the time and in the manner specified by the Plan Administrator (as defined in Section 11), specifying the amount of payroll deduction to be applied to the compensation paid to the employee by the employee's employer while the employee is a participant in the Plan. The amount of each payroll deduction specified in such request for each such payroll period shall be a whole percentage amount, unless otherwise determined by the Plan Administrator, not to exceed 10%, or such lesser percentage as may be determined by the Plan Administrator, of the participant's regular base salary or wages (before withholding or other deductions) paid to him or her during the Purchase Period by any of the Participating Companies. Subject to compliance with applicable rules prescribed by the Plan Administrator, the request shall become effective as of the Purchase Period following the day the Company or its designated agent receives such request. Payroll deductions shall be made for each participant in accordance with such participant's request until such participant's participation in the Plan terminates, such participant's request is revised or the Plan is suspended or terminated, all as hereinafter provided. (B) CHANGES TO RATE OF PAYROLL DEDUCTION. A participant may change the amount of his or her payroll deduction under the Plan effective as of any subsequent Purchase Period by so directing the Company or its designated agent at the time and in the manner specified by the Plan Administrator. A participant may not change the amount of his or her payroll deduction effective as of any time other than the beginning of a Purchase Period, except that a participant may elect to suspend his or her payroll deduction under the Plan as provided in Section 7. (C) PURCHASE ACCOUNTS. Payroll deductions for each participant shall be credited to a purchase account established on behalf of the participant on the books of the participant's employer or such employer's designated agent (a "Purchase Account"). At the end of each Purchase Period, the amount in each participant's Purchase Account will be applied to the purchase of the number of whole and fractional shares of Common Stock determined by dividing such amount by the Purchase Price (as defined in Section 5) for such Purchase Period. No interest shall accrue at any time for any amount credited to a Purchase Account of a participant (except as required by local law as determined by the Plan Administrator). 5. PURCHASE PRICE. The purchase price (the "Purchase Price") per share of Common Stock hereunder for any Purchase Period shall be 90% of the lesser of (i) the closing price of a share of Common Stock on the New York Stock Exchange on the first day of such Purchase Period on which such exchange is open for trading or (ii) the closing price of a share of Common Stock on such exchange on the last day of such Purchase Period on which such exchange is open for trading. If such sum results in a fraction of one cent, the Purchase Price shall be increased to the next higher full cent. 6. ISSUANCE OF STOCK. The Common Stock purchased by each participant shall be issued in book entry form and shall be considered to be issued and outstanding to such participant's credit as of the end of the last day of each Purchase Period. A participant will be issued a certificate for his or her whole number of shares of Common Stock which have been held in book entry form for at least two years following the first day of the Purchase Period in which such shares were purchased, upon request of such participant or his or her legal representative or, if so directed by the Plan Administrator (as defined in Section 11), upon the termination of the Plan. In such event, the cash equivalent of any fractional shares shall also be distributed to such participant. Such cash equivalent shall be determined by multiplying the fractional share by the fair market value of a share of Common Stock (determined as provided in Section 5) on the last day of the Purchase Period immediately preceding such issuance.

The Plan Administrator may permit or require that shares be deposited directly with a broker designated by the Plan Administrator or to a designated agent of the Company, and the Plan Administrator may use electronic or automated methods of share transfer. The Plan Administrator may require that shares be retained with such broker or agent for a designated period of time and/or may establish other procedures to permit tracking of disqualifying dispositions of such shares, and may also impose a transaction fee with respect to a sale of shares of Common Stock issued to a participant's credit and held by such a broker or agent. The Plan Administrator may permit shares purchased under the Plan to participate in a dividend reinvestment plan or program maintained by the Company, and establish a default method for the payment of dividends. After the close of each Purchase Period, information will be made available to each participant regarding the entries made to such participant's Purchase Account, the number of shares of Common Stock purchased and the applicable Purchase Price. In the event that the maximum number of shares of Common Stock are purchased by the participant for the Purchase Period and cash remains credited to the participant's Purchase Account, such cash shall be refunded to such participant. For purposes of the preceding sentence, the maximum number of shares of Common Stock that may be purchased by a participant for a Purchase Period shall be determined under Section 2.

7. SUSPENSION OF PAYROLL DEDUCTION OR TERMINATION OF PARTICIPATION. (A) **SUSPENSION OF PAYROLL DEDUCTION.** A participant may elect at any time and in the manner specified by the Plan Administrator (as defined in Section 11) to suspend his or her payroll deduction under the Plan, provided such election is received by the Company or its designated agent prior to the date specified by the Plan Administrator for suspension of payroll deduction with respect to a Purchase Period. If the election is not received by such date, such suspension of payroll deduction shall be effective as of the next succeeding Purchase Period. Upon a participant's suspension of payroll deduction, any cash credited to such participant's Purchase Account shall be refunded to such participant. A participant who suspends payroll deduction under the Plan shall be permitted to resume payroll deduction as of any Purchase Period following the Purchase Period in which such suspension was effective, by making a new request at the time and in the manner specified by the Plan Administrator. (B) **TERMINATION OF PARTICIPATION.** If the participant dies, terminates employment with the Participating Companies for any reason, or otherwise ceases to be an Eligible Employee, such participant's participation in the Plan shall immediately terminate. Upon such terminating event, the cash credited to such participant's Purchase Account on the date of such termination shall be refunded to such participant or his or her legal representative, as the case may be.

8. TERMINATION, SUSPENSION OR AMENDMENT OF THE PLAN. (A) **TERMINATION.** The Company, by action of the Board or the Plan Administrator (as defined in Section 11), may terminate the Plan at any time, in which case notice of such termination shall be given to all participants, but any failure to give such notice shall not impair the effectiveness of the termination. Without any action being required, the Plan shall terminate in any event when the maximum number of shares of Common Stock to be sold under the Plan (as provided in Section 12) has been 40 APPENDIX A -- (CONTINUED) purchased. Such termination shall not impair any rights which under the Plan shall have vested on or prior to the date of such termination. If at any time the number of shares of Common Stock remaining available for purchase under the Plan are not sufficient to satisfy all then-outstanding purchase rights, the Board or Plan Administrator may determine an equitable basis of apportioning available shares of Common Stock among all participants. At any time following the termination of the Plan, the Plan Administrator may direct that one or more certificates for the number of whole shares of Common Stock held for each participant's benefit and the cash equivalent of any fractional share so held shall be delivered to such participant. Such cash equivalent shall be determined by multiplying the fractional share by the fair market value of a share of Common Stock (determined as provided in Section 5) on the last day of the Purchase Period immediately preceding such termination. Except as otherwise provided in Section 14, the cash, if any, credited to each participant's Purchase Account shall be distributed to such participant as soon as practicable after the Plan terminates. (B) **SUSPENSION OR AMENDMENT.** The Board or the Plan Administrator may suspend payroll deductions under the Plan or amend the Plan from time to time in any respect for any reason; provided, however, that no such suspension or amendment shall (a) materially adversely affect any purchase rights outstanding under the Plan during the Purchase Period in which such amendment or suspension is adopted, (b) increase the maximum number of shares of Common Stock which may be purchased under the Plan, (c) decrease the Purchase Price of a share of Common Stock for any Purchase Period below the lesser of 85% of the fair market value thereof on the first day of such Purchase Period and 85% of such fair market value on the last day of such Purchase Period or (d) adversely affect the qualification of the Plan under section 423 of the Code. If payroll deductions under the Plan are suspended pursuant to this Section, such payroll deductions shall resume as of

the first Purchase Period commencing with or immediately following the date on which such suspension ends, in accordance with the participants' payroll deduction elections then in effect. 9. NON-TRANSFERABILITY. Rights acquired under the Plan are not transferable and may be exercised only by a participant or his or her legal representative, as the case may be. 10. SHAREHOLDER'S RIGHTS. No Eligible Employee or participant shall by reason of the Plan have any rights of a shareholder of the Company until he or she shall acquire a share of Common Stock as herein provided. 11. ADMINISTRATION OF THE PLAN. The Plan shall be administered by the Treasurer of the Company (the "Plan Administrator"). In addition to the powers and authority specifically granted to the Plan Administrator pursuant to any other provision of the Plan, the Plan Administrator shall have full power and authority to: (i) interpret and administer the Plan and any instrument or agreement entered into under the Plan; (ii) establish such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; (iii) designate which Subsidiary Companies shall participate in the Plan; (iv) make any other determination and take any other action that the Plan Administrator deems necessary or desirable for administration of the Plan. Decisions of the Plan Administrator shall be final, conclusive and binding upon all persons having an interest in the Plan. The Plan shall be administered so as to ensure that all participants have the same rights and privileges as are provided by section 423(b)(5) of the Code. 12. MAXIMUM NUMBER OF SHARES. The maximum number of shares of Common Stock which may be purchased under the Plan is 3,000,000, subject to adjustment as set forth below. Shares of Common Stock sold hereunder may be treasury shares, authorized and unissued shares, shares purchased for participants in the open market (on an exchange or in negotiated transactions) or any combination thereof. If the Company shall, at any time after the effective date of the Plan, change its 41 APPENDIX A -- (CONTINUED) issued Common Stock into an increased number of shares, with or without par value, through a stock dividend or a stock split, or into a decreased number of shares, with or without par value, through a combination of shares, then, effective with the record date for such change, the maximum number of shares of Common Stock which thereafter may be purchased under the Plan and the maximum number of shares which thereafter may be purchased during any Purchase Period shall be the maximum number of shares which, immediately prior to such record date, remained available for purchase under the Plan and under any Purchase Period proportionately increased, in case of such stock dividend or stock split, or proportionately decreased in case of such combination of shares. 13. MISCELLANEOUS. Except as otherwise expressly provided herein, (i) any request, election or notice under the Plan from an Eligible Employee or participant shall be transmitted or delivered to the Company or its designated agent and, subject to any limitations specified in the Plan, shall be effective when so delivered and (ii) any request, notice or other communication from the Company or its designated agent that is transmitted or delivered to Eligible Employees or participants shall be effective when so transmitted or delivered. The Plan, and the Company's obligation to sell and deliver shares of Common Stock hereunder, shall be subject to all applicable federal and state laws, rules and regulations, and to such approval by any regulatory or governmental agency as may, in the opinion of counsel for the Company, be required. 14. CHANGE IN CONTROL. In the event of any Change in Control of the Company, as defined below, the then current Purchase Period shall thereupon end, the Plan Administrator shall direct that the cash credited to all participants' Purchase Accounts shall be applied to purchase shares pursuant to Sections 4, 5 and 6 or refunded to participants, and the Plan shall immediately terminate. For purposes of this Section 14, the term "Change in Control" shall mean any of the following events: (a) Any person, as such term is used in Rule 13d-5 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or group, as defined in Sections 3(a)(9) and 13(d)(3) of the Exchange Act (each such person or group, an "SEC Person"), becomes the beneficial owner, as defined in Rule 13d-3 promulgated under the Exchange Act (a "Beneficial Owner"), of 20% or more of the then outstanding common stock of the Company or of the securities of the Company entitled to vote generally in the election of directors ("Voting Securities") representing 20% or more of the combined voting power of all the then outstanding Voting Securities (such an SEC Person, a "20% Owner"); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change in Control: (1) any acquisition directly from the Company (excluding any acquisition resulting from the exercise of an exercise, conversion or exchange privilege unless the security being so exercised, converted or exchanged was acquired directly from the Company), (2) any acquisition by the Company, (3) any acquisition by an employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company (a "Company Plan"), or (4) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this definition; provided further, that for purposes of clause (2), if any 20% Owner of the Company other than the

Company or any Company Plan becomes a 20% Owner by reason of an acquisition by the Company, and such 20% Owner of the Company shall, after such acquisition by the Company, become the beneficial owner of any additional outstanding common shares of the Company or any additional outstanding Voting Securities of the Company (other than pursuant to any dividend reinvestment plan or arrangement maintained by the Company) and such beneficial ownership is publicly announced, such additional beneficial ownership shall constitute a Change in Control; or (b) Individuals who, as of the effective date of the Plan, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Incumbent 42 APPENDIX A -- (CONTINUED) Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest (as such terms are used in Rule 14a-11 promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board; or (c) Consummation of a reorganization, merger or consolidation ("Merger"), or the sale or other disposition of more than 50% of the operating assets of the Company (determined on a consolidated basis), other than in connection with a sale-leaseback or other arrangement resulting in the continued utilization of such assets (or the operating products of such assets) by the Company (such reorganization, merger, consolidation, sale or other disposition, a "Corporate Transaction"); excluding, however, a Corporate Transaction pursuant to which: (i) all or substantially all of the individuals and entities who are the Beneficial Owners, respectively, of the outstanding common stock of Company and outstanding Voting Securities of the Company immediately prior to such Corporate Transaction beneficially own, directly or indirectly, more than 60% of, respectively, the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Corporate Transaction (including, without limitation, a corporation which, as a result of such transaction, owns the Company or all or substantially all of the assets of the Company either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Corporate Transaction of the outstanding common stock of Company and outstanding Voting Securities of the Company, as the case may be; (ii) no SEC Person (other than the corporation resulting from such Corporate Transaction, and any person which beneficially owned, immediately prior to such Corporate Transaction, directly or indirectly, 20% or more of the outstanding common stock of the Company or the outstanding Voting Securities of the Company, as the case may be) becomes a 20% Owner, directly or indirectly, of the then-outstanding common stock of the corporation resulting from such Corporate Transaction or the combined voting power of the outstanding voting securities of such corporation; and (iii) individuals who were members of the Incumbent Board will constitute at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction; or (d) Approval by the Company's shareholders of a plan of complete liquidation or dissolution of the Company, other than a plan of liquidation or dissolution which results in the acquisition of all or substantially all of the assets of the Company by an affiliated company. 15. RULES FOR NON-UNITED STATES JURISDICTIONS. The Plan Administrator may establish rules or procedures relating to the operation and administration of the Plan to accommodate specific requirements of applicable local laws and procedures, including, without limitation, rules and procedures governing payroll deductions, payment of interest, conversion of local currency, payroll tax, withholding procedures and handling of stock certificates which vary with local requirements. The Plan Administrator may also adopt sub-plans applicable to particular Participating Companies or locations, which sub-plans may be designed to be outside the scope of section 423 of the Code. The rules of such sub-plans may take precedence over the provisions of this Plan, with 43 APPENDIX A -- (CONTINUED) the exception of Section 4, but unless otherwise superceded by the terms of such sub-plan, the provisions of this Plan shall govern the operation of such sub-plan. 16. NO ENLARGEMENT OF EMPLOYEE RIGHTS. Nothing contained in this Plan shall be deemed to give any Eligible Employee the right to continued employment with the Company or any Subsidiary Company or to interfere with the right of the Company or any Subsidiary Company to discharge any Eligible Employee at any time. 17. GOVERNING LAW. This Plan, any related agreements (such as an enrollment form), and all determinations made and actions taken pursuant thereto, to the extent not otherwise governed by the Code or the law of the United States, shall be governed by the laws of the state of Pennsylvania and construed in accordance therewith without giving effect to principles of conflicts of law. 44 APPENDIX B EXELON CORPORATION LONG-TERM INCENTIVE PLAN (AS AMENDED

AND RESTATED EFFECTIVE JANUARY 28, 2002) PECO Energy Company ("PECO") originally established the PECO Energy Company 1989 Long-Term Incentive Plan (the "Plan"). The outstanding shares of PECO have been exchanged with shares of Exelon Corporation ("Exelon" or the "Company"), causing Exelon to become PECO's parent (the "Share Exchange"). Immediately thereafter, Unicom Corporation merged with and into Exelon (the "Merger"). In connection with the Share Exchange and Merger, Exelon assumed sponsorship of the Plan and changed the Plan's name to the Exelon Long-Term Incentive Plan. The Plan was previously amended and restated, effective October 20, 2000, to reflect these events and is hereby further amended and restated, effective January 28, 2002 except as otherwise specifically provided herein. The purpose of the Plan is to encourage designated key employees of Exelon and its subsidiaries to contribute materially to the growth of the Company, thereby benefiting the Company's shareholders.

1. ADMINISTRATION. (A) ESTABLISHMENT OF COMMITTEE. The Plan shall be administered and interpreted by a committee (the "Committee") appointed by the Board of Directors of Exelon (the "Board"). The Committee shall consist of two or more persons appointed by the Board, all of whom shall be "outside directors" as defined under section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code") and related Treasury regulations, and "non-employee directors" as defined under Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). (B) COMMITTEE AUTHORITY. The Committee shall have the authority to (i) determine the individuals to whom grants shall be made under the Plan, (ii) determine the type, amount and terms of the grants to be made to each such individual, (iii) determine the time when the grants will be made and the duration of any applicable exercise or restriction period, including the criteria for exercisability and the acceleration of exercisability (iv) amend the terms of any previously issued Grant, and (v) deal with any other matters arising under the Plan. The Committee shall have full power and authority to administer and interpret the Plan, to make factual determinations and to adopt or amend such rules, regulations, agreements and instruments for implementing the Plan and for the conduct of its business as it deems necessary or advisable, in its sole discretion. All powers and authority of the Committee shall be exercised in its sole discretion, in the best interest of the Company, not as a fiduciary, and in keeping with the objectives of the Plan and need not be uniform as to similarly situated individuals. A majority of the Committee shall constitute a quorum. The acts of the Committee shall be either (i) acts of a majority of the members of the Committee present at any meeting at which a quorum is present or (ii) acts approved in writing by all of the members of the Committee without a meeting. The Committee may delegate some or all of its authority hereunder to the Chief Executive Officer(s) or other executive officer of the Company as the Committee deems appropriate; provided however, that the Committee may not delegate its power and authority to any such person (i) with regard to a Grant made to a person who is a "covered employee" within the meaning of Section 162(m) of the Code or who, in the Committee's judgment, is likely to be a covered employee at any time during the period a Grant hereunder to such employee would be outstanding or (ii) with regard to the selection for participation in the Plan of an officer or other person subject to Section 16 of the Exchange Act or whose title is "senior vice president" or higher, or decisions concerning the timing, pricing or amount of a Grant to such an individual.

45 APPENDIX B--(CONTINUED) (C) COMMITTEE DETERMINATIONS. The Committee's interpretations of the Plan and all determinations made by the Committee pursuant to the powers vested in it hereunder shall be conclusive and binding on all persons having any interest in the Plan or in any awards granted hereunder.

2. GRANTS. Awards under the Plan may consist of grants of incentive stock options as described in Section 5 ("Incentive Stock Options"), nonqualified stock options as described in Section 5 ("Nonqualified Stock Options") (Incentive Stock Options and Nonqualified Stock Options are collectively referred to as "Options"), restricted stock as described in Section 6 ("Restricted Stock"), stock appreciation rights as described in Section 7 ("SARs"), performance units as described in Section 8 ("Performance Units"), performance shares as described in Section 8 ("Performance Shares"), phantom stock as described in Section 9 ("Phantom Stock"), and dividend equivalents as described in Section 10 ("Dividend Equivalents") (hereinafter collectively referred to as "Grants"). All Grants shall be subject to the terms and conditions set forth herein and to such other terms and conditions consistent with this Plan as the Committee deems appropriate and as are specified in writing by the Committee to the individual in a grant instrument (the "Grant Instrument") or an amendment to the Grant Instrument. Grants under a particular Section of the Plan need not be uniform as among the grantees.

3. SHARES SUBJECT TO THE PLAN. (A) SHARES AUTHORIZED. Subject to the adjustment specified in Section 3(c) below, the aggregate number of shares of common stock of the Company ("Company Stock") available under the Plan is sixteen million, subject to the adjustment specified in Section 3(c) below. Notwithstanding the preceding sentence, (i) effective January 28, 2002, an additional 13 million shares of Company Stock shall be so available under the Plan, subject to

the approval of the Company's shareholders, and (ii) the aggregate number of shares available to be granted on or after January 28, 2002 under the Plan as Restricted Stock, Performance Shares/Unit or Phantom Stock which may be settled in shares of Company Stock is three million. The shares available under the Plan may be authorized but unissued shares of Company Stock or reacquired shares of Company Stock, including treasury shares and shares purchased by the Company on the open market for purposes of the Plan. To the extent that shares of Company Stock subject to an outstanding Option (except to the extent shares of Company Stock are issued or delivered by the Company in connection with the exercise of a tandem SAR), free-standing SAR, Restricted Stock Grant, Performance Share Grant or Phantom Stock Grant are not issued or delivered by reason of the expiration, termination, cancellation or forfeiture of such Grant or by reason of the delivery or withholding of shares of Company Stock to pay all or a portion of the exercise price of a Grant, if any, or to satisfy all or a portion of the tax withholding obligations relating to a Grant, then such shares of Company Stock shall again be available under this Plan. (B) INDIVIDUAL LIMIT. During any calendar year, no individual may be granted Options or other Grants under the Plan that, in the aggregate, may be settled by delivery of more than one million shares of Company Stock, subject to adjustment as provided in Section 3(c). In addition, with respect to Grants the value of which is based on the Fair Market Value of Company Stock and that may be settled in cash (in whole or in part), no individual may be paid during any calendar year cash amounts relating to such Grants that exceed the greater of the Fair Market Value (as defined in Section 5(b)(iii)) of the number of shares of Company Stock set forth in the preceding sentence either at the date of grant or at the date of settlement. This provision sets forth two separate limitations, so that Grants that may be settled solely by delivery of Company Stock will not operate to reduce the amount or value of cash-only Grants, and vice versa; nevertheless, Grants that may be settled in Company Stock or cash must not exceed either limitation. 46 APPENDIX B--(CONTINUED) With respect to Grants, the value of which is not based on the Fair Market Value of Company Stock, no individual may receive during any calendar year cash or shares of Company Stock with a fair market value at date of settlement that, in the aggregate, exceeds two million dollars. (C) ADJUSTMENTS; CERTAIN CORPORATE TRANSACTIONS. If there is any change in the number or kind of shares of Company Stock outstanding (i) by reason of a stock dividend, spinoff, recapitalization, stock split, or combination or exchange of shares, (ii) by reason of a merger, reorganization or consolidation in which the Company is the surviving corporation, (iii) by reason of a reclassification or change in par value, or (iv) by reason of any other extraordinary or unusual event affecting the outstanding Company Stock as a class without the Company's receipt of consideration, or if the value of outstanding shares of Company Stock is substantially reduced as a result of a spinoff or the Company's payment of an extraordinary dividend or distribution, the maximum number of shares of Company Stock available for Grants, the maximum number of shares of Company Stock that any individual participating in the Plan may be granted in any year, the number of shares covered by outstanding Grants, the kind of shares issued under the Plan, and the price per share or the applicable market value of such Grants may be appropriately adjusted by the Committee to reflect any increase or decrease in the number of, or change in the kind or value of, issued shares of Company Stock to preclude, to the extent practicable, the enlargement or dilution of rights and benefits under such Grants; provided, however, that any fractional shares resulting from such adjustment shall be eliminated. Any adjustments determined by the Committee shall be final, binding and conclusive. If and to the extent that any such change in the number or kind of shares of Company Stock outstanding is effected solely by application of a mathematical formula (e.g., a 2-for-1 stock split), the adjustment described in this Section 3(c) shall be made and shall occur automatically by application of such formula, without further action by the Committee. Without limiting the generality of the foregoing paragraph, if the Company shall be a party to any merger, sale, consolidation, reorganization or other similar transaction (a "Corporate Transaction"), the Board (as constituted immediately prior to the consummation of such Corporate Transaction) may, in its discretion (i) require the substitution for each share of Company Stock then subject to an Option or SAR, the number and class of shares, if any, into which each outstanding share of Company Stock shall be converted pursuant to such Corporate Transaction (with the Exercise Price of any such Option or the base amount of any such SAR being appropriately adjusted by the Board without an increase in the aggregate purchase price); or (ii) require such Option or SAR to be surrendered to the Company by the holder to be immediately cancelled by the Company, and provide for the holder to receive either (A) a cash payment in an amount not less than the number of shares of Company Stock then subject to such Option or SAR (whether or not then exercisable with respect to such shares), multiplied by the excess (if any) of the highest per share price offered to holders of Company Stock in any transaction whereby the Corporate Transaction takes place over the Exercise Price of such Option or the base amount of such SAR or (B) shares of stock into which outstanding

shares of Company Stock shall be converted pursuant to such Corporate Transaction having a fair market value not less than the amount determined under clause (A) above.

4. ELIGIBILITY FOR PARTICIPATION. (A) ELIGIBLE PERSONS. All key management employees of Exelon and its Subsidiaries ("Employees"), including Employees who are officers or members of the Board and persons expected to become key management employees, shall be eligible to participate in the Plan. Members of the Board who are not Employees shall not be eligible to participate in the Plan. "Subsidiary" shall mean a corporation in which the Company owns, directly or indirectly, at least 50% of the combined voting power of all classes of stock entitled to vote.

47 APPENDIX B--(CONTINUED) (B) SELECTION OF GRANTEES. The Committee shall select the Employees to receive Grants and shall determine the number of shares of Company Stock subject to a particular Grant, and/or shall establish such other terms and conditions applicable to such Grant, in such manner as the Committee determines. Employees who receive Grants under this Plan shall hereinafter be referred to as "Grantees."

5. GRANTING OF OPTIONS. (A) NUMBER OF SHARES. The Committee shall determine the number of shares of Company Stock that will be subject to each Grant of Options; provided, however that the Chief Executive Officer(s) of the Company may make special grants of Options to Employees who are not "covered persons" within the meaning of Section 162(m) of the Code, officers subject to Section 16 of the Exchange Act or persons whose title is "senior vice president" or higher, provided that the number of shares of Company Stock subject to such Options granted in any single year shall not exceed 600,000 in the aggregate or 20,000 with respect to any individual Employee. (B) TYPE OF OPTION AND PRICE. (i) Options granted under the Plan may be Incentive Stock Options that are intended to qualify as "incentive stock options" within the meaning of section 422 of the Code or Nonqualified Stock Options that are not intended so to qualify or any combination of Incentive Stock Options and Nonqualified Stock Options, all in accordance with the terms and conditions set forth herein. (ii) The purchase price (the "Exercise Price") of each share of Company Stock subject to an Option shall not be less than the Fair Market Value (as defined below) of a share of Company Stock on the date the Option is granted; provided, however, that an Incentive Stock Option may not be granted to an Employee who, at the time of grant, owns stock possessing more than 10 percent of the total combined voting power of all classes of stock of the Company or any parent or Subsidiary of the Company, unless the Exercise Price per share is not less than 110% of the Fair Market Value of a share of Company Stock on the date of grant. (iii) The Fair Market Value per share shall be the closing sale price of a share of Company Stock on the composite tape of New York Stock Exchange, or if there is not such sale on the relevant date, then on the last previous day on which a sale was reported. (C) OPTION TERM. The term of any Option shall not exceed ten years from the date of grant. However, an Incentive Stock Option that is granted to an Employee who, at the time of grant, owns stock possessing more than 10 percent of the total combined voting power of all classes of stock of the Company, or any parent or Subsidiary of the Company, may not have a term that exceeds five years from the date of grant. (D) EXERCISABILITY OF OPTIONS. Options shall become exercisable in accordance with such terms and conditions, consistent with the Plan, as may be determined by the Committee and specified in the Grant Instrument or an amendment to the Grant Instrument. The Committee may accelerate the exercisability of any or all outstanding Options at any time for any reason. (E) TERMINATION OF EMPLOYMENT, DISABILITY, OR DEATH. (i) Unless otherwise specified in the Grant Instrument relating to an Option, if a Grantee's employment by the Company terminates by reason of Retirement, death, or Disability, then on the date of such Retirement, death, or Disability, such Option shall become exercisable as to all of the shares of Company Stock remaining subject to such Option and may (1) in the cases of Retirement or Disability, be exercised by such Grantee or his or her legal representative, Successor Grantee, or permitted transferee, as the case may be, on or before the fifth anniversary of the date of such termination of employment or, if earlier, the last day of the term of such Option or (2) in the case of death, be exercised by such Grantee's legal representative, Successor Grantee, or permitted transferees, as the case may be, on or before the third anniversary of the date the of death or, if earlier, the last day of the term of such Option. (ii) Unless otherwise specified in the Grant Instrument relating to an Option, if a Grantee's employment is terminated by the Company for Cause or by the Grantee (other than due to Retirement or for Good Reason following a Change in Control), such Grantee's Option shall expire on the effective date of such termination of employment and shall not thereafter be exercisable. (iii) Unless otherwise specified in the Grant Instrument relating to an Option and subject to Section 5(e)(iv), if a Grantee's employment by the Company terminates for any reason other than Retirement, death, or Disability, or as specified in Section 5(e)(ii), such Grantee's Option shall be exercisable only to the extent it is exercisable on the effective date of such termination of employment and may thereafter be exercised by such Grantee or his or her legal representative, Successor Grantee

or permitted transferee, as the case may be, until and including the earlier to occur of (i) the date which is 90 days after the effective date of such termination of employment and (ii) the last day of the term of the Option. (iv) Notwithstanding any provision of this Section 5 or any Grant Instrument to the contrary, if within 24 months following a Change in Control, a Grantee's employment is terminated (i) by the Company other than for Cause, or (ii) with respect to a Grantee whose position is at least salary band VII (or its equivalent), by the Grantee for Good Reason, such Grantee's outstanding Options shall immediately become fully exercisable and may thereafter be exercised by such Grantee or his or her legal representative, Successor Grantee or permitted transferee, as the case may be, on or before the fifth anniversary of the date of such termination of employment or, if earlier, the last day of the term of such Option; provided however, that a termination of employment with the Company or a subsidiary thereof followed by immediate reemployment by an entity which purchases or otherwise acquires Company assets shall not be a termination of employment within the meaning of this Section 5(e)(iv). (v) For purposes of this Section 5(e) and Sections 6, 7 and 8: (1) "Change in Control" shall mean, except as otherwise provided below, the first to occur of any of the following events: (a) any SEC Person becomes the Beneficial Owner of 20% or more of the then outstanding common stock of the Company or of Voting Securities representing 20% or more of the combined voting power of all the then outstanding Voting Securities of the Company (such an SEC Person, a "20% Owner"); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change in Control: (1) any acquisition directly from the Company (excluding any acquisition resulting from the exercise of an exercise, conversion or exchange privilege unless the security being so exercised, converted or exchanged was acquired directly from the Company), (2) any acquisition by the Company, (3) any acquisition by an employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company (a "Company Plan"), or (4) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this definition; provided further, that for purposes of clause (2), if any 20% Owner of the Company other than the Company or any Company Plan becomes a 20% Owner by reason of an acquisition by the Company, and such 20% Owner of the Company shall, after such acquisition by the Company, become the beneficial owner of 49 APPENDIX B--(CONTINUED) any additional outstanding common shares of the Company or any additional outstanding Voting Securities of the Company (other than pursuant to any dividend reinvestment plan or arrangement maintained by the Company) and such beneficial ownership is publicly announced, such additional beneficial ownership shall constitute a Change in Control; or (b) Individuals who, as of the effective date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Incumbent Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest (as such terms are used in Rule 14a-11 promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or (c) Consummation of a reorganization, merger or consolidation ("Merger"), or the sale or other disposition of more than 50% of the operating assets of the Company (determined on a consolidated basis), other than in connection with a sale-leaseback or other arrangement resulting in the continued utilization of such assets (or the operating products of such assets) by the Company (such reorganization, merger, consolidation, sale or other disposition, a "Corporate Transaction"); excluding, however, a Corporate Transaction pursuant to which: (i) all or substantially all of the individuals and entities who are the Beneficial Owners, respectively, of the outstanding common stock of Company and outstanding Voting Securities of the Company immediately prior to such Corporate Transaction beneficially own, directly or indirectly, more than 60% of, respectively, the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Corporate Transaction (including, without limitation, a corporation which, as a result of such transaction, owns the Company or all or substantially all of the assets of the Company either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Corporate Transaction of the outstanding common stock of Company and outstanding Voting Securities of the Company, as the case may be; (ii) no SEC Person (other than the corporation resulting from such Corporate Transaction, and any Person which beneficially owned, immediately prior to such corporate Transaction, directly or indirectly, 20% or more of the outstanding common stock of the Company or the outstanding Voting Securities of the

Company, as the case may be) becomes a 20% Owner, directly or indirectly, of the then-outstanding common stock of the corporation resulting from such Corporate Transaction or the combined voting power of the outstanding voting securities of such corporation; and (iii) individuals who were members of the Incumbent Board will constitute at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction; or 50 APPENDIX B--(CONTINUED) (d) Approval by the Company's shareholders of a plan of complete liquidation or dissolution of the Company, other than a plan of liquidation or dissolution which results in the acquisition of all or substantially all of the assets of the Company by an affiliated company. Notwithstanding the occurrence of any of the foregoing events, a Change in Control shall not occur with respect to a Grantee if, in advance of such event, such Grantee agrees in writing that such event shall not constitute a Change in Control. For purposes of the definition of a Change in Control herein, the following terms shall have the following respective meanings: (A) "Affiliate" means any Person (including a subsidiary) that directly or indirectly controls, is controlled by, or is under common control with, the Company. For purposes of this definition the term "control" with respect to any Person means the power to direct or cause the direction of management or policies of such Person, directly or indirectly, whether through the ownership of Voting Securities, by contract or otherwise. (B) "Beneficial Owner" means such term as defined in Rule 13d-3 of the SEC under the Exchange Act. (C) "Person" means any individual, sole proprietorship, partnership, joint venture, limited liability company, trust, unincorporated organization, association, corporation, institution, public benefit corporation, entity or government instrumentality, division, agency, body or department. (D) "SEC Person" means any person (as such term is used in Rule 13d-5 of the SEC under the Exchange Act) or group (as such term is defined in Sections 3(a)(9) and 13(d)(3) of the Exchange Act), other than (i) the Company or an Affiliate, or (ii) any employee benefit plan (or any related trust) or Company or any of its Affiliates. (E) "Voting Securities" means with respect to a corporation, securities of such corporation that are entitled to vote generally in the election of directors of such corporation. (2) "Cause" means (i) with respect to a Grantee whose entitlement to severance benefits upon termination of employment is governed by an individual change in control agreement, the meaning of such term specified in such agreement, (ii) with respect to a Grantee whose entitlement to severance benefits upon termination of employment is governed by the Second Amended and Restated Exelon Corporation Key Management Severance Plan, as amended from time to time, or any successor plan thereto, the meaning of such term specified in such plan, or (iii) with respect to any other Grantee, any of the following: (a) the Grantee's willful commission of acts or omissions which have, have had, or are likely to have a material adverse effect on the business, operations, financial condition or reputation of the Company or any of its affiliates; (b) the Grantee's conviction (including a plea of guilty or nolo contendere) of a felony or any crime of fraud, theft, dishonesty or moral turpitude; or, (c) the Grantee's material violation of any statutory or common law duty of loyalty to the Company or any of its affiliates. 51 APPENDIX B--(CONTINUED) (3) "Disability" shall have the meaning specified in any long term disability plan or arrangement maintained by the Company in which the Employee is eligible to participate or, if no such plan or arrangement is then in effect, as determined by the Committee. (4) "Good Reason" means (i) with respect to a Grantee whose entitlement to severance benefits upon termination of employment is governed by an individual change in control agreement, the meaning of such term specified in such agreement, or (ii) with respect to a Grantee whose entitlement to severance benefits upon termination of employment is governed by the Second Amended and Restated Exelon Corporation Key Management Severance Plan, as amended from time to time, or any successor plan thereto, the meaning of such term specified in such plan. (5) "Retirement" shall mean retirement from the employment of the Company on or after attaining the minimum age specified for early or normal retirement in any then effective qualified defined benefit retirement plan of the Company in which the Grantee is a participant after a minimum of ten years of service with the Company and the Subsidiaries, provided that if the Grantee is a participant in the Exelon Corporation Cash Balance Pension Plan, such Grantee shall have attained at least age 55 as of the date of such retirement. For purposes of this definition, the Grantee's age and service shall be determined taking into account any deemed age or service awarded to the Grantee pursuant to the qualified defined benefit retirement plan or severance plan of the Company in which the Grantee is a participant or such other individual agreement then in effect between such Grantee and the Company. (f) EXERCISE OF OPTIONS. A Grantee may exercise an Option that has become exercisable, in whole or in part, by delivering a notice of exercise to the Company with payment of the Exercise Price. The Grantee shall pay the Exercise Price for an Option as specified by the Committee (x) in cash, (y) with the approval of the Committee, by delivering shares of Company Stock owned by the Grantee (including Company Stock acquired in connection with the exercise of an Option, subject to such restrictions as the Committee deems appropriate) and having a Fair Market Value on the

date of exercise equal to the Exercise Price or (z) by such other method as the Committee may approve, including attestation (on a form prescribed by the Committee) to ownership of shares of Company Stock having a Fair Market Value on the date of exercise equal to the Exercise Price, or payment through a broker in accordance with procedures permitted by Regulation T of the Federal Reserve Board. In addition, the Committee may authorize loans by the Company to Grantees in connection with the exercise of an Option, upon such terms and conditions that the Committee, in its sole discretion, deems appropriate. Shares of Company Stock used to exercise an Option shall have been held by the Grantee for the requisite period of time to avoid adverse accounting consequences to the Company with respect to the Option. The Grantee shall pay the Exercise Price and the amount of any withholding tax due (pursuant to Section 11) at the time of exercise. Shares of the Company Stock shall not be issued upon exercise of an Option until the Exercise Price is fully paid and any required withholding is made. In the event that shares of Company Stock are used to exercise an Option, the terms of such Option may provide for a Grant of additional Options, or the Committee may grant additional Options, to purchase, at Fair Market Value as of the date of exercise of the Option or the date of grant of such additional Options, whichever is later, for a term equal to the unexpired term of the exercised Option, a number of shares of Company Stock equal to the sum of the number of whole shares used to exercise the Option and the number of whole shares, if any, withheld in payment of any withholding taxes. (G) LIMITS ON INCENTIVE STOCK OPTIONS. Each Incentive Stock Option shall provide that, if the aggregate Fair Market Value of the stock on the date of grant with respect to which Incentive Stock Options are exercisable for the first time by a Grantee during any calendar year, under the Plan or 52 APPENDIX B--(CONTINUED) any other stock option plan of the Company or a parent or Subsidiary, exceeds one hundred thousand dollars, then the Option, as to the excess, shall be treated as a Nonqualified Stock Option. (H) DIVIDEND EQUIVALENTS. The Committee may grant dividend equivalents in connection with Options granted under the Plan. Such dividends may be paid currently or accrued as contingent cash obligations and may be payable in cash or shares of Company Stock, upon such terms as the Committee may establish, including the achievement of specific performance goals. 6. RESTRICTED STOCK GRANTS. The Committee may issue or transfer shares of Company Stock subject to lapse or non-lapse restrictions to a Grantee under a Grant of Restricted Stock, upon such terms as the Committee deems appropriate; provided, that the Chief Executive Officer(s) of the Company may make special Restricted Stock Grants to Employees who are not "covered persons" within the meaning of Section 162(m) of the Code, officers subject to Section 16 of the Exchange Act or persons whose title is "senior vice president" or higher, provided that the number of shares of Company Stock subject to such Grants awarded in any single year shall not, when combined with any other special Grants (excluding Options) awarded by the Chief Executive Officer(s) for such year, exceed 300,000 in the aggregate or 10,000 with respect to any individual Employee. The following provisions are applicable to Restricted Stock: (A) GENERAL REQUIREMENTS. Shares of Company Stock issued or transferred pursuant to Restricted Stock Grants may be issued or transferred for consideration or for no consideration, as determined by the Committee. The Committee may establish conditions under which restrictions on shares of Restricted Stock shall lapse over a period of time or according to such other criteria as the Committee deems appropriate including, without limitation, restrictions based upon the achievement of specific performance goals. The period of time during which the Restricted Stock will remain subject to restrictions is referred to herein as the "Restriction Period." (b) NUMBER OF SHARES. The Committee shall determine the number of shares of Company Stock to be issued or transferred pursuant to a Restricted Stock Grant and the restrictions applicable to such shares. (c) REQUIREMENT OF EMPLOYMENT. Unless otherwise set forth in the Grant Instrument relating a Restricted Stock Grant, if the Grantee ceases to be employed by the Company during the Restriction Period, the Restricted Stock Grant shall terminate and be forfeited with respect to all shares covered by the Grant as to which the restrictions have not lapsed at the close of business on the Grantee's last day of employment, and those shares of Company Stock must be immediately returned to the Company. The Committee may, however, accelerate the termination of the restrictions for all or a portion of such Restricted Stock as it deems appropriate. (d) RESTRICTIONS ON TRANSFER AND LEGEND ON STOCK CERTIFICATE. During the Restriction Period, a Grantee may not sell, assign, transfer, pledge, or otherwise dispose of the shares of Restricted Stock except to a Successor Grantee under Section 12(a). Each Grant of shares of Restricted Stock issued in certificated form shall contain a legend giving appropriate notice of the restrictions in the Grant. The Grantee shall be entitled to have the legend removed from the stock certificate covering the shares subject to restrictions when all restrictions on such shares have lapsed. The Committee may determine that the Company will not issue certificates for shares of Restricted Stock until all restrictions on such shares have lapsed, or that the

Company will retain possession of certificates for shares of Restricted Stock until all restrictions on such shares have lapsed. (e) RIGHT TO VOTE AND TO RECEIVE DIVIDENDS. Unless the Committee determines otherwise, during the Restriction Period the Grantee shall have the right to vote shares of Restricted Stock and to receive any dividends or other distributions paid on such shares, subject to any restrictions 53 APPENDIX B--(CONTINUED) deemed appropriate by the Committee. Such dividends may be paid currently, accrued as contingent cash obligations, or converted into additional shares of Restricted Stock, upon such terms as the Committee may establish, including the achievement of specific performance goals. (f) LAPSE OF RESTRICTIONS. All restrictions imposed on Restricted Stock shall lapse upon the expiration of the applicable Restriction Period and the satisfaction of all conditions imposed by the Committee. The Committee may terminate the restrictions, as to any or all Restricted Stock Grants, without regard to any Restriction Period. 7. STOCK APPRECIATION RIGHTS. (a) GENERAL REQUIREMENTS. The Committee may grant stock appreciation rights to a Grantee separately or in tandem with any Option (for all or a portion of the applicable Option); provided, that the Chief Executive Officer(s) of the Company may make special SAR Grants to Employees who are not "covered persons" within the meaning of Section 162(m) of the Code, officers subject to Section 16 of the Exchange Act or persons whose title is "senior vice president" or higher, provided that the number of shares of Company Stock subject to such SARs awarded in any single year shall not, when combined with any other special Grants (excluding Options) awarded by the Chief Executive Officer(s) for such year, exceed 300,000 in the aggregate or 10,000 with respect to any individual Employee. Tandem SARs may be granted either at the time the Option is granted or at any time thereafter while the Option remains outstanding; provided, however, that, in the case of an Incentive Stock Option, SARs may be granted only at the time of grant of the Incentive Stock Option. The Committee shall establish the base amount of the SAR at the time the SAR is granted. Unless the Committee determines otherwise, the base amount of each SAR shall be equal to the per share Exercise Price of the related Option or, if there is no related Option, the Fair Market Value of a share of Company Stock as of the date of grant of the SAR. (b) TANDEM SARs. In the case of tandem SARs, the number of SARs granted to a Grantee that shall be exercisable during a specified period shall not exceed the number of shares of Company Stock that the Grantee may purchase upon the exercise of the related Option during such period. Upon the exercise of an Option, the SARs relating to the Company Stock covered by such Option shall terminate. Upon the exercise of SARs, the related Option shall terminate to the extent of an equal number of shares of Company Stock. (c) EXERCISABILITY. An SAR shall be exercisable during the period specified by the Committee in the Grant Instrument and shall be subject to such vesting and other restrictions as may be specified in the Grant Instrument; provided, however, that the term of the SAR shall not exceed ten years. The Committee may accelerate the exercisability of any or all outstanding SARs at any time for any reason. SARs may only be exercised while the Grantee is employed by the Company or during the applicable period after termination of employment as described in Section 5(e) for Options. For purposes of the preceding sentence, the rules applicable to a tandem SAR shall be the rules applicable under Section 5(e) to the Option to which it relates, and the rules applicable to any other SAR shall be the rules applicable under Section 5(e) and a Nonqualified Stock Option. A tandem SAR shall be exercisable only during the period when the Option to which it is related is also exercisable. (d) VALUE OF SARs. When a Grantee exercises SARs, the Grantee shall receive in settlement of such SARs an amount equal to the value of the stock appreciation for the number of SARs exercised, payable in cash, Company Stock, or a combination thereof. The stock appreciation for a SAR is the amount by which the Fair Market Value of the underlying Company Stock on the date of exercise of the SAR exceeds the aggregate base amount of the SAR as described in Subsection (a). (e) FORM OF PAYMENT. The Committee shall determine whether the appreciation in a SAR shall be paid in the form of cash, shares of Company Stock, or a combination of the two, in such 54 APPENDIX B--(CONTINUED) proportion as the Committee deems appropriate. For purposes of calculating the number of shares of Company Stock to be received, shares of Company Stock shall be valued at their Fair Market Value on the date of exercise of the SAR. If shares of Company Stock are to be received upon exercise of a SAR, cash shall be delivered in lieu of any fractional share. 8. PERFORMANCE UNITS AND PERFORMANCE SHARES. (a) GENERAL REQUIREMENTS. The Committee may grant Performance Units or Performance Shares to a Grantee; provided, that the Chief Executive Officer(s) of the Company may make special Performance Share Grants to Employees who are not "covered persons" within the meaning of Section 162(m) of the Code, officers subject to Section 16 of the Exchange Act or persons whose title is "senior vice president" or higher, provided that the number of shares of Company Stock subject to such Performance Share Grants awarded in any single year shall not, when combined with any other special Grants (excluding Options) awarded by the Chief

Executive Officer(s) for such year, exceed 300,000 in the aggregate or 10,000 with respect to any individual Employee. Each Performance Unit/Share shall represent the right of the Grantee to receive an amount based on the value of the Performance Unit/Share, if performance goals established by the Committee are met. A Performance Unit shall have a value based on such measurements or criteria as the Committee determines. A Performance Share shall have a value equal to the Fair Market Value of a share of Company Stock. The Committee shall determine the number of Performance Units/Shares to be granted and the requirements applicable to such Units/Shares. (b) PERFORMANCE PERIOD AND PERFORMANCE GOALS. When Performance Units/Shares are granted, the Committee shall establish the performance period during which performance shall be measured (the "Performance Period"), performance goals applicable to the Units/Shares ("Performance Goals") and such other conditions of the Grant as the Committee deems appropriate. (c) PAYMENT WITH RESPECT TO PERFORMANCE UNITS/SHARES. At the end of each Performance Period, the Committee shall determine to what extent the Performance Goals and other conditions of the Performance Units/Shares are met, the value of the Performance Units (if applicable) and the amount, if any, to be paid with respect to the number of Performance Units/Shares that have been earned. Payments with respect to Performance Units/Shares shall be made in cash, in Company Stock, or in a combination of the two, as determined by the Committee. (d) REQUIREMENT OF EMPLOYMENT. Unless otherwise specified in the Grant Instrument relating to a Performance Unit/Share, if the Grantee ceases to be employed by the Company during a Performance Period, the Grantee's Performance Units/Shares shall be forfeited at the close of business on the Grantee's last day of employment. The Committee may, however, provide for complete or partial exceptions to this requirement as it deems appropriate. If the Grantee ceases to be employed by the Company after the expiration of a Performance Period but prior to payment, payment shall be made to the Grantee or the Successor Grantee, if applicable. 9. PHANTOM STOCK. (a) GENERAL REQUIREMENTS. The Committee may grant Phantom Stock to a Grantee in such amounts and upon such terms, and at any time and from time to time, as shall be determined by the Committee; provided, that the Chief Executive Officer(s) of the Company may make special Phantom Stock Grants to Employees who are not "covered persons" within the meaning of Section 162(m) of the Code, officers subject to Section 16 of the Exchange Act or persons whose title is "senior vice president" or higher, provided that the number of shares of Company Stock subject to such Phantom Stock Grants awarded in any single year shall not, when combined with any other special Grants (excluding Options) awarded by the Chief Executive Officer(s) for such year, exceed 300,000 in the aggregate or 10,000 with respect to any individual Employee. 55 APPENDIX B--(CONTINUED) (b) VALUE OF PHANTOM STOCK. The Committee shall establish the initial value of the Phantom Stock at the time of grant which may be greater than, equal to or less than the Fair Market Value of a share of Company Stock. (c) DIVIDEND EQUIVALENTS. The Committee may grant dividend equivalents in connection with Phantom Stock granted under the Plan. Such dividends may be paid currently or accrued as contingent cash obligations and may be payable in cash or shares of Company Stock, upon such terms as the Committee may establish, including the achievement of specific performance goals. (d) FORM AND TIMING OF PAYMENT. The Committee shall determine whether the Phantom Stock shall be paid in the form of cash, shares of Company Stock or a combination of the two, in such proportion as the Committee deems appropriate. Cash payments shall be in an amount equal to the Fair Market Value on the payment date of the number of shares of Company Stock equal to the number of shares of Phantom Stock with respect to which payment is made. The number of shares of Company Stock distributed in settlement of a Phantom Stock Grant shall equal the number of shares of Phantom Stock with respect to which settlement is made. Payment shall be made in accordance with the terms and at such times as determined by the Committee at the time of grant. (e) REQUIREMENT OF EMPLOYMENT. Unless otherwise specified in the Grant Instrument relating to a Phantom Stock Grant, if the Grantee ceases to be employed by the Company prior to becoming vested or otherwise entitled to payment, the Grantee's non-vested Phantom Stock shall be forfeited at the close of business on the Grantee's last day of employment. The Committee may, however, provide for complete or partial exceptions to this requirement as it deems appropriate. 10. DIVIDEND EQUIVALENTS. (a) GENERAL REQUIREMENTS. The Committee may grant Dividend Equivalents to a Grantee in such number and upon such other terms, including in either case the achievement of specific performance goals, and at any time and from time to time, as shall be determined by the Committee. Each Dividend Equivalent shall represent the right to receive an amount in cash, or shares of Company Stock having a Fair Market Value, equal to the amount of dividends paid on one share of Company Stock during such period as may be established by the Committee. (b) FORM AND TIMING OF PAYMENT. Dividend Equivalents may be paid currently or accrued as contingent cash obligations,

upon such terms as the Committee may establish. The Committee shall determine whether Dividend Equivalents shall be paid in the form of cash, shares of Company Stock or a combination of the two, in such proportion as the Committee deems appropriate. The number of any shares of Company Stock payable in satisfaction of Dividend Equivalents shall be determined by dividing the amount credited to the Grantee with respect to such Dividend Equivalents by the Fair Market Value on the day instructions are given to the Company's Treasurer or transfer agent to issue or purchase such shares. Cash shall be delivered in lieu of any fractional shares. Payment shall be made at such times as determined by the Committee at the time of grant. (c) REQUIREMENT OF EMPLOYMENT. If the Grantee ceases to be employed by the Company prior to becoming entitled to payment, the Grantee's Dividend Equivalents shall be forfeited at the close of business on the Grantee's last day of employment. The Committee may, however, provide for complete or partial exceptions to this requirement as it deems appropriate. 11. WITHHOLDING OF TAXES. (a) REQUIRED WITHHOLDING. All Grants under the Plan shall be subject to applicable federal (including FICA), state, and local tax withholding requirements. The Company shall have the right to deduct from all Grants paid in cash, or from other wages paid to the Grantee, any federal, state or local taxes required by law to be withheld with respect to such Grants. In the case of Options and other Grants paid in Company Stock, the Company may require the Grantee or other person 56 APPENDIX B--(CONTINUED) receiving such shares to pay to the Company the amount of any such taxes that the Company is required to withhold with respect to such Grants, or the Company may deduct from other wages paid by the Company the amount of any withholding taxes due with respect to such Grants. (b) ELECTION TO WITHHOLD SHARES. If the Committee so permits, a Grantee may elect to satisfy the Company's income tax withholding obligation with respect to an Option, SAR, Restricted Stock, Performance Units, Performance Shares, Phantom Stock, or Dividend Equivalents, any of which is paid in Company Stock, by having shares withheld having a Fair Market Value up to an amount that does not exceed the Grantee's minimum applicable withholding tax rate for federal (including FICA), state, and local tax liabilities. The election must be in a form and manner prescribed by the Committee and shall be subject to the prior approval of the Committee. 12. TRANSFERABILITY OF GRANTS. (a) NONTRANSFERABILITY OF GRANTS. Except as provided below, only the Grantee may exercise rights under a Grant during the Grantee's lifetime. A Grantee may not transfer those rights except by will or by the laws of descent and distribution or, with respect to Grants other than Incentive Stock Options, if permitted in any specific case by the Committee, pursuant to a domestic relations order (as defined under the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended, or the regulations thereunder). When a Grantee dies, the personal representative or other person entitled to succeed to the rights of the Grantee ("Successor Grantee") may exercise such rights which have not been extinguished by the Grantee's death. A Successor Grantee must furnish proof satisfactory to the Company of his or her right to receive the Grant under the Grantee's will or under the applicable laws of descent and distribution. (b) TRANSFER OF NONQUALIFIED STOCK OPTIONS. Notwithstanding the foregoing, the Committee may provide in a Grant Instrument that a Grantee may transfer Nonqualified Stock Options to family members or other persons or entities according to such terms as the Committee may determine; provided that the Grantee receives no consideration for the transfer of an Option and the transferred Option shall continue to be subject to the same terms and conditions as were applicable to the Option immediately before the transfer. 13. GRANTS SUBJECT TO CODE SECTION 162(m). (a) PERFORMANCE BASED GRANTS. Any Grant to a Grantee who is a "covered employee" within the meaning of Code Section 162(m), the exercisability or settlement of which is subject to the achievement of performance goals, shall qualify as "qualified performance-based compensation" within the meaning of Code Section 162(m) and regulations thereunder. The performance goals for such a Grant shall consist of one or more of the business criteria set forth in Section 13(b), below, and a targeted level or levels of performance with respect to such criteria, as specified by the Committee in writing prior to (or within 90 days after commencement of) the applicable performance period. Performance goals shall be objective and shall otherwise meet the requirements of Section 162(m)(4)(C) of the Code and regulations thereunder. Performance goals may differ for such Grants to different Grantees. The Committee shall specify the weighting to be given to each performance goal for purposes of determining the final amount payable with respect to any such Grant. The Committee may, in its discretion, reduce the amount of a payout otherwise to be made in connection with such a Grant, but may not exercise discretion to increase such amount. All determinations by the Committee as to the achievement of performance goals shall be certified in writing prior to payment under the Plan, in the form of minutes of a meeting of the Committee or otherwise. (b) BUSINESS CRITERIA. Unless and until the Committee proposes for shareholder approval and the Company's shareholders approve a change in the general business criteria set forth in this

Section, the attainment of which may determine the amount and/or vesting with respect to Grants, 57 APPENDIX B--(CONTINUED) the business criteria to be used for purposes of establishing performance goals for such Grants shall be selected from among the following alternatives, each of which may be based on absolute standards or peer industry group comparatives and may be applied at various organizational levels (e.g., corporate, business unit, division): (1) cumulative shareholder value added (SVA), (2) customer satisfaction, (3) revenue, (4) primary or fully-diluted earnings per share of Company Stock, (5) net income, (6) total shareholder return, (7) earnings before interest taxes (EBIT), (8) cash flow, including operating cash flows, free cash flow, discounted cash flow return on investment and cash flow in excess of cost of capital, or any combination thereof, (9) economic value added, (10) return on equity, (11) return on capital, (12) return on assets, (13) net operating profits after taxes, (14) stock price increase, (15) return on sales, (16) debt to equity ratio, (17) payout ratio, (18) asset turnover, (19) ratio of share price to book value of shares, (20) price/earnings ratio, (21) employee satisfaction, (22) diversity, (23) market share, (24) operating income, (25) pre-tax income, (26) safety, (27) diversification of business opportunities, (28) expense ratios, (29) total expenditures, (30) completion of key projects, (31) dividend payout as percentage of net income, (32) earnings before interest, taxes, depreciation and amortization (EBITDA), or (33) any individual performance objective which is measured solely in terms of quantitative targets related to the Company, any Subsidiary or the Company's or Subsidiary's business. Such individual performance measures related to the Company, Subsidiary or the Company's or Subsidiary's business may include: (A) production-related factors such as generating capacity factor, performance against the INPO index, generating equivalent availability, heat rates and production cost, (B) transmission and distribution-related factors such as customer satisfaction, reliability (based on outage frequency and duration), and cost, (C) customer service-related factors such as customer satisfaction, service levels and responsiveness and bad debt collections or losses, and (D) relative performance against other similar companies in targeted areas. The measures may be weighted differently for Grantees based on their management level and the extent to which their responsibilities are primarily corporate or business unit-related, and may be based in whole or in part on the performance of the Company, a Subsidiary, division and/or other operational unit under one or more of such measures. In the event that Code Section 162(m) or applicable tax and/or securities laws change to permit Committee discretion to alter the governing performance measures without disclosing to shareholders and obtaining shareholder approval of such changes and without thereby exposing the Company to potentially adverse tax or other legal consequences, the Committee shall have sole discretion to make such changes without obtaining shareholder approval.

14. DEFERRALS. The Committee may permit or require a Grantee to defer receipt of the payment of cash or the delivery of Shares that would otherwise be due to such Grantee by virtue of the exercise of any Option or SAR, the lapse or waiver of restrictions applicable to Restricted Stock, the satisfaction of any requirements or objectives with respect to Performance Units/Shares, or the vesting or satisfaction of any terms applicable to Phantom Stock or Dividend Equivalents. If any such deferral election is permitted or required, the Committee shall, in its sole discretion, establish rules and procedures for such deferrals.

15. REQUIREMENTS FOR ISSUANCE OR TRANSFER OF SHARES. No Company Stock shall be issued or transferred in connection with any Grant hereunder unless and until all legal requirements applicable to the issuance or transfer of such Company Stock have been complied with to the satisfaction of the Committee. The Committee shall have the right to condition any Grant made to any Grantee hereunder on such Grantee's undertaking in writing to comply with such restrictions on his or her subsequent disposition of such shares of Company Stock as the Committee shall deem necessary or advisable as a result of any applicable law, regulation or official interpretation thereof, and certificates representing such shares may be legended to reflect 58 APPENDIX B--(CONTINUED) any such restrictions. Certificates representing shares of Company Stock issued or transferred under the Plan will be subject to such stop-transfer orders and other restrictions as may be required by applicable laws, regulations, and interpretations, including any requirement that a legend be placed thereon.

16. AMENDMENT AND TERMINATION OF THE PLAN. (a) AMENDMENT. The Committee may amend or terminate the Plan at any time. The Committee shall not amend the Plan without shareholder approval if such approval is required by Section 162(m) of the Code or the rules of any stock exchange on which Company Stock is listed. (b) TERMINATION OF PLAN. The Plan shall terminate on the day immediately preceding the tenth anniversary of its effective date, unless the Plan is terminated earlier by the Committee or is extended by the Committee with the approval of the shareholders. (c) TERMINATION AND AMENDMENT OF OUTSTANDING GRANTS. A termination or amendment of the Plan that occurs after a Grant is made shall not materially impair the rights of a Grantee unless the Grantee consents or unless the Committee acts under Section 22(b). The termination of

the Plan shall not impair the power and authority of the Committee with respect to an outstanding Grant. Whether or not the Plan has terminated, an outstanding Grant may be terminated or amended under Section 22(b) or may be amended by agreement of the Company and the Grantee consistent with the Plan. (d) GOVERNING DOCUMENT. The Plan shall be the controlling document. No other statements, representations, explanatory materials or examples, oral or written, may amend the Plan in any manner. The Plan shall be binding upon and enforceable against the Company and its successors and assigns. 17. FUNDING OF THE PLAN. This Plan shall be unfunded. Exelon shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the payment of any Grants under this Plan. In no event shall interest be paid or accrued on any Grant, including unpaid installments of Grants. 18. RIGHTS OF PARTICIPANTS. Nothing in this Plan shall entitle any Employee or other person to any claim or right to be granted a Grant under this Plan, and no Grant shall entitle any Employee or other person to any future Grant. Neither this Plan nor any action taken hereunder shall be construed as giving any individual any rights to be retained by or in the employ of the Company or any other employment rights. No person shall have any right as a stockholder of the Company with respect to any shares of Company Stock or other equity security of the Company which is subject to a Grant hereunder unless and until such person becomes a stockholder of record with respect to such shares of Company Stock or equity security. 19. NO FRACTIONAL SHARES. No fractional shares of Company Stock shall be issued or delivered pursuant to the Plan or any Grant. The Committee shall determine whether cash, other awards or other property shall be issued or paid in lieu of such fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated. 20. HEADINGS. Section headings are for reference only. In the event of a conflict between a title and the content of a Section, the content of the Section shall control. 59 APPENDIX B--(CONTINUED) 21. EFFECTIVE DATE OF THE PLAN. This Plan was originally effective in 1989, as approved by the shareholders of PECO on April 12, 1989. The Board of Directors of PECO and PECO's shareholders approved the extension of the Plan effective April 19, 1997 and such date shall be the effective date of the Plan for purposes of future Grants of Incentive Stock Options and other Grants hereunder, and for purposes of termination of the Plan in accordance with Section 16(b) hereof. 22. MISCELLANEOUS. (a) GRANTS IN CONNECTION WITH CERTAIN CORPORATE TRANSACTIONS AND OTHERWISE. Nothing contained in this Plan shall be construed to (i) limit the right of the Committee to make Grants under this Plan in connection with the acquisition, by purchase, lease, merger, consolidation, or otherwise, of the business or assets of any corporation, firm or association, including Grants to employees thereof who become Employees of the Company, or for other proper corporate purposes, or (ii) limit the right of the Company to grant stock options or make other awards outside of this Plan. Without limiting the foregoing, the Committee may make a Grant to an employee of another corporation who becomes an Employee by reason of a corporate merger, consolidation, acquisition of stock or property, reorganization or liquidation involving the Company or any of its Subsidiaries in substitution for a stock option or restricted stock grant made by such corporation. The terms and conditions of the substitute grants may vary from the terms and conditions required by the Plan and from those of the substituted stock incentives. The Committee shall prescribe the provisions of the substitute grants. (b) COMPLIANCE WITH LAW. The Plan, the exercise of Options and SARs, and the obligations of the Company to issue or transfer shares of Company Stock under Grants shall be subject to all applicable laws and to approvals by any governmental or regulatory agency as may be required. With respect to persons subject to Section 16 of the Exchange Act, it is the intent of the Company that the Plan and all transactions under the Plan comply with all applicable provisions of Rule 16b-3 or its successors under the Exchange Act. In particular, and without otherwise limiting the provisions of this Section 21(b), no Grantee subject to section 16 of the Exchange Act may exercise any Option or SAR except in accordance with applicable requirements of Rule 16b-3 or its successors under the Exchange Act. The Committee may revoke any Grant if it is contrary to law or modify a Grant to bring it into compliance with any valid and mandatory government regulation. The Committee may also adopt rules regarding the withholding of taxes on payments to Grantees. The Committee may, in its sole discretion, agree to limit its authority under this Section. (c) GOVERNING LAW. The validity, construction, interpretation, and effect of the Plan and Grant Instruments issued under the Plan shall exclusively be governed by and determined in accordance with the law of the Commonwealth of Pennsylvania without regard to principles of conflicts of law. 60 THE PARK HYATT PHILADELPHIA AT THE BELLEVUE BROAD AND WALNUT STREETS PHILADELPHIA, PENNSYLVANIA, 19102 (215) 893-1234 FROM THE NORTH (I-95)--Follow I-95 South to Central Philadelphia exit 676 West. Follow 676 West to first exit-Broad Street exit. This automatically puts you on 15th Street going south. Go (9) lights to Locust Street, then make a left onto

Locust Street and go (1) block to Broad Street. Make a left onto Broad Street and go immediately in the center lane. From the center lane make a left either into the garage entrance or into the driveway. FROM THE NORTH (NEW YORK OR NORTHERN NEW JERSEY)--Take Exit #4 off the New Jersey Turnpike to Route 73 North. Route 73 North will take you to Route 38 West which will lead you to US 30 West. US 30 will take you to the Benjamin Franklin Bridge. Cross the Ben Franklin into Philadelphia. Take 6th Street to Walnut Street and make a right. Go (8) blocks to Broad Street, then make a left. The entrance to the hotel and garage are immediately on the right hand side. FROM THE SOUTH (I-95 AND THE AIRPORT)--Follow I-95 North to Exit 14 - Broad Street/Route 611. This puts you on Broad Street going north. The hotel is located approximately 2.5 miles up Broad Street on your left between Locust and Walnut Streets. You will need to enter the center lane to make a left either into the garage entrance or Chancellor Court. FROM THE EAST (WALT WHITMAN BRIDGE)--Take the Atlantic City Expressway to 41 North to the Walt Whitman Bridge. Cross the Walt Whitman and exit Broad Street. Continue (2) miles north on Broad Street. Hotel entrance will be on your immediate left just past Locust Street. FROM THE EAST (BENJAMIN FRANKLIN BRIDGE)--Take Exit 4 off New Jersey Turnpike to Route 73 to Route 30 West. Route 30 West takes you to the Benjamin Franklin Bridge. Cross the bridge and exit 6th Street to Walnut Street. Turn right on Walnut Street. Follow Walnut Street to Broad Street and turn left on Broad Street. Hotel entrance is immediately on your right. FROM THE WEST (PENNSYLVANIA TURNPIKE)--Exit from Exit 24 - Valley Forge Interchange to Route 76 East. Take Route 76 East to Route 676 East (note: this exits from the inside lane). Go only 1/2 mile to the Broad Street exit. At the top of the Broad Street exit ramp make a right onto 15th Street, go (9) lights to Locust Street. On Locust Street turn left and go (1) block to Broad Street. Make a left onto Broad Street and enter into the center lane. You can make a left either into the parking garage or into Chancellor Court. FROM THE NORTHEAST EXTENSION--Take the Northeast Extension to the Pennsylvania Turnpike - Exit 25A. Then take Route 476 South to Route 76 East. The directions after this point are the same as above after you are on Route 76 East. [MAP]

DOWNTOWN PHILADELPHIA EXELON CORPORATION 2002 COMMON STOCK PROXY THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS FOR THE P ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON TUESDAY, APRIL 23, 2002 AT 9:30 A.M. AT THE PARK HYATT PHILADELPHIA AT THE BELLEVUE, PHILADELPHIA, PENNSYLVANIA. O RANDALL E. MEHRBERG and KATHERINE K. COMBS, or either of them with power of substitution are hereby appointed proxies to vote as X specified all shares of Common Stock which the Shareholder(s) named on the reverse side is entitled to vote at the above Annual Meeting or at Y any adjournment thereof, and in their discretion to vote upon all other matters as may properly be brought before the Meeting. EquiServe Trust Company, N.A., as Custodian under the Dividend Reinvestment and Employee Stock Purchase Plan, and Exelon Corporation as Custodian for the 401(k) Employee Savings Plan, are hereby authorized to execute a proxy with identical instructions for any shares of Common Stock held for the benefit of the Shareholder(s) named on the reverse side. Nominees for election to the Board of Directors for Class II terms expiring in 2005 are: 01. Edward A. Brennan, 02. Bruce DeMars, 03. Richard H. Glanton, 04. John W. Rowe, and 05. Ronald Rubin. Please sign and date on the reverse side and mail promptly in the enclosed postage paid envelope or otherwise to P.O. Box 8647, Edison, New Jersey, 08818-8647. SEE REVERSE SIDE

----- FOLD AND DETACH HERE - ADMISSION TICKET PLEASE BRING THE BOTTOM PORTION OF THIS CARD WITH YOU FOR ADMISSION TO THE ANNUAL SHAREHOLDERS MEETING OF EXELON CORPORATION. TUESDAY, APRIL 23, 2002 9:30 A.M. THE PARK HYATT PHILADELPHIA AT THE BELLEVUE BROAD AND WALNUT STREETS PHILADELPHIA, PENNSYLVANIA THIS TICKET IS NOT TRANSFERABLE /X/ PLEASE MARK YOUR VOTES AS IN THIS EXAMPLE. THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR PROPOSAL 2; FOR PROPOSAL 3; FOR PROPOSAL 4; AGAINST PROPOSAL 5, AND FOR THE DIRECTOR NOMINEES: EDWARD A. BRENNAN, BRUCE DEMARS, RICHARD H. GLANTON; JOHN W. ROWE, AND RONALD RUBIN. FOR WITHHELD FOR AGAINST ABSTAIN FOR AGAINST ABSTAIN 1. Election of //// 2. Ratification of ///// 4. Approval of Amendments ///// Directors Independent to Long Term Incentive (see reverse) Accountants Plan For, except vote withheld from 3. Approval of ///// 5. Shareholder Proposal to ///// the following nominee(s): Employee Stock require investment Purchase Plan in Clean Energy

 _____ SIGNATURE(S) _____ DATE

NOTE: Please sign exactly as name appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such.

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AND DETACH HERE ONLY IF YOU ARE RETURNING YOUR VOTED PROXY CARD BY MAIL -

EXELON(SM) Dear Shareholder: Exelon Corporation encourages you to take advantage of new and convenient ways by which you can vote your shares. You can vote your shares electronically through the internet or the telephone. This eliminates the need to return the proxy card. To vote your shares electronically you must use the control number printed in the box above, just below the perforation. The series of numbers that appear in the box above is your personal code to access the system. 1. To vote over the internet: - Log on to the internet and go to the web site [HTTP://WWW.EPROXYVOTE.COM/EXC](http://www.eproxyvote.com/exc) 2. To vote over the telephone: - On a touch-tone telephone call 1-877-779-8683 24 hours a day, 7 days a week Your electronic vote authorizes the named proxies in the same manner as if you marked, signed, dated and returned the proxy card. If you choose to vote your shares electronically, do not mail back your proxy card. YOUR VOTE IS IMPORTANT. THANK YOU FOR VOTING.