

CONSTELLATION ENERGY GROUP INC

Form 425

June 14, 2011

On  
June  
15,  
2011,  
Exelon  
began  
to  
use  
the  
following  
slides  
concerning  
the  
proposed  
merger  
in  
a  
series  
of  
meetings  
with  
investors:

Filed by Exelon Corporation  
(Commission File No.  
1-16169)

Pursuant to Rule  
425 under the Securities Act of 1933  
and deemed filed pursuant to Rule  
14a-12 of the Securities Exchange Act of 1934

Subject Company: Constellation Energy Group, Inc.  
(Commission File No.  
1-12869)

Exelon and Constellation Energy Merger  
Investor Meetings  
June 2011

Cautionary Statements Regarding  
Forward-Looking Information  
Except  
for  
the  
historical  
information  
contained  
herein,  
certain  
of  
the  
matters  
discussed

in  
this  
communication  
constitute  
forward-  
looking  
statements  
within  
the  
meaning  
of  
the  
Securities  
Act  
of  
1933  
and  
the  
Securities  
Exchange  
Act  
of  
1934,  
both  
as  
amended  
by  
the  
Private  
Securities  
Litigation  
Reform  
Act  
of  
1995.  
Words  
such  
as  
may,  
will,  
anticipate,  
estimate,  
expect,  
project,  
intend,  
plan,  
believe,  
target,  
forecast,  
and

words  
and  
terms  
of  
similar  
substance  
used  
in  
connection  
with  
any  
discussion  
of  
future  
plans,  
actions,  
or  
events  
identify  
forward-looking  
statements.  
These  
forward-looking  
statements  
include,  
but  
are  
not  
limited  
to,  
statements  
regarding  
benefits  
of  
the  
proposed  
merger,  
integration  
plans  
and  
expected  
synergies,  
the  
expected  
timing  
of  
completion  
of  
the  
transaction,

anticipated  
future  
financial  
and  
operating  
performance  
and  
results,  
including  
estimates  
for  
growth.  
These  
statements  
are  
based  
on  
the  
current  
expectations  
of  
management  
of  
Exelon  
Corporation  
(Exelon)  
and  
Constellation  
Energy  
Group,  
Inc.  
(Constellation),  
as  
applicable.  
There  
are  
a  
number  
of  
risks  
and  
uncertainties  
that  
could  
cause  
actual  
results  
to  
differ  
materially

from  
the  
forward-looking  
statements  
included  
in  
this  
communication.

For  
example,  
(1)  
the  
companies  
may  
be  
unable  
to  
obtain  
shareholder  
approvals  
required  
for  
the  
merger;

(2)  
the  
companies  
may  
be  
unable  
to  
obtain  
regulatory  
approvals  
required  
for  
the  
merger,  
or  
required  
regulatory  
approvals  
may  
delay  
the  
merger  
or  
result  
in  
the

imposition  
of  
conditions  
that  
could  
have  
a  
material  
adverse  
effect  
on  
the  
combined  
company  
or  
cause  
the  
companies  
to  
abandon  
the  
merger;  
(3)  
conditions  
to  
the  
closing  
of  
the  
merger  
may  
not  
be  
satisfied;  
(4)  
an  
unsolicited  
offer  
of  
another  
company  
to  
acquire  
assets  
or  
capital  
stock  
of  
Exelon  
or



Constellation  
could  
interfere  
with  
the  
merger;  
(5)  
problems  
may  
arise  
in  
successfully  
integrating  
the  
businesses  
of  
the  
companies,  
which  
may  
result  
in  
the  
combined  
company  
not  
operating  
as  
effectively  
and  
efficiently  
as  
expected;  
(6)  
the  
combined  
company  
may  
be  
unable  
to  
achieve  
cost-cutting  
synergies  
or  
it  
may  
take  
longer  
than

expected  
to  
achieve  
those  
synergies;  
(7)  
the  
merger  
may  
involve  
unexpected  
costs,  
unexpected  
liabilities  
or  
unexpected  
delays,  
or  
the  
effects  
of  
purchase  
accounting  
may  
be  
different  
from  
the  
companies  
expectations;  
(8)  
the  
credit  
ratings  
of  
the  
combined  
company  
or  
its  
subsidiaries  
may  
be  
different  
from  
what  
the  
companies  
expect;  
(9)

the  
businesses  
of  
the  
companies  
may  
suffer  
as  
a  
result  
of  
uncertainty  
surrounding  
the  
merger;  
1

Cautionary Statements Regarding

Forward-Looking Information (Continued)

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(10) the companies may not realize the values expected to be obtained for properties expected or required to be divested; (11) the industry may be subject to future regulatory or legislative actions that could adversely affect the companies; and (12) the companies may be adversely affected by other economic, business, and/or competitive factors. Other unknown or unpredictable factors could also have material adverse effects on future results, performance or achievements of the combined company. Discussions of some of these other important factors and assumptions are contained in Exelon's and Constellation's respective filings with the Securities and Exchange Commission (SEC), and available at the SEC's website at [www.sec.gov](http://www.sec.gov), including: (1) Exelon's 2010 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data; (2) Exelon's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011 in (a) Part II, Other Information, ITEM 1A. Risk Factors, (b) Part I, Financial Information, ITEM 2. Management's Discussion and Analysis of Financial Cond

Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Note 12; (3) Constellation's 2010 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 12; and (4) Constellation's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011 in (a) Part II, Other Information, ITEM 5. Other Information and (b) Part I, Financial Information, ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) Part I, Financial Information, ITEM 1. Financial Statements: Notes to Consolidated Financial Statements, *Commitments and Contingencies*. These risks, as well as other risks associated with the proposed merger, will be more fully discussed in the joint proxy statement/prospectus that will be included in the Registration Statement on Form S-4 that Exelon will file with the SEC in connection with the proposed merger. In light of these risks, uncertainties, assumptions and factors, the forward-looking events discussed in this communication may not occur. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this communication. Neither Exelon nor Constellation undertake any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this communication.

#### Additional Information and Where to Find It

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This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities, or a solicitation of any vote or approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. Exelon intends to file with the SEC a registration statement on Form S-4 that will include a joint proxy statement/prospectus and other relevant documents to be mailed by Exelon and Constellation to their respective security holders in connection with the proposed merger of Exelon and Constellation. **WE URGE INVESTORS AND SECURITY HOLDERS TO READ THE JOINT PROXY STATEMENT/PROSPECTUS AND ANY OTHER RELEVANT DOCUMENTS WHEN THEY BECOME AVAILABLE, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION** about Exelon, Constellation and the proposed merger. Investors and security holders will be able to obtain these materials (when they are available) and other documents filed with the SEC free of charge at the SEC's website, [www.sec.gov](http://www.sec.gov). In addition, a copy of the joint proxy statement/prospectus (when it becomes available) may be obtained free of charge from Exelon Corporation, Investor Relations, 10 South Dearborn Street, P.O. Box 805398, Chicago, Illinois 60680-5398, or from Constellation

Energy Group, Inc., Investor Relations, 100 Constellation Way, Suite 600C, Baltimore, MD 21202. Investors and security holders may also read and copy any reports, statements and other information filed by Exelon, or Constellation, with the SEC, at the SEC public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 or visit the SEC's website for further information on its public reference room.

#### Participants in the Merger Solicitation

Exelon, Constellation, and their respective directors, executive officers and certain other members of management and employees may be deemed to be participants in the solicitation of proxies in respect of the proposed transaction. Information regarding Exelon's directors and executive officers is available in its proxy statement filed with the SEC by Exelon on March 24, 2011 in connection with its 2011 annual meeting of shareholders, and information regarding Constellation's directors and executive officers is available in its proxy statement filed with the SEC by Constellation on April 15, 2011 in connection with its 2011 annual meeting of shareholders. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the joint proxy statement/prospectus and other relevant materials to be filed with the SEC when they become available.

Creating Value Through a Strategic Merger

Delivers  
financial  
benefits  
to  
both  
sets  
of  
shareholders

Increases  
scale  
and



scope  
of  
the  
business  
across  
the  
value  
chain

Matches  
the  
industry's  
premier  
clean  
merchant  
generating  
fleet  
with  
the  
leading  
retail  
and  
wholesale  
customer  
platform

Diversifies  
the  
generation  
portfolio

Continued  
upside  
to  
power  
market  
recovery

Maintains  
a  
strong  
regulated  
earnings  
profile  
with  
large  
urban  
utilities  
Combining  
Exelon's

generation  
fleet  
and  
Constellation's  
customer-facing  
businesses  
creates  
a  
strong  
platform  
for  
growth  
and  
delivers  
benefits  
to  
investors  
and  
customers  
4

\$7 billion

\$11 billion

11,980 (Total)

1,921 (Nuclear)

1.2 mil. (MD)

0.7 mil. (MD)

44 states & D.C.

(5)

~106 TWh/yr

15% Generation

50% Utility

35% NewEnergy

Combination Will Result in Enhanced Scale,  
Scope, Flexibility and Financial Strength

(1) Market Value as of 6/1/11. Enterprise Value represents Market Value plus Net Debt as of 3/31/11.

(2) Data as of 12/31/10. Exelon data includes 720 MW for Wolf Hollow. Constellation data includes 2,950 MW for Boston G

(3) Net of physical market mitigation assumed to be 2,648 MW.

(4) TWh/yr represents 2011 booked electric sales. Exelon load includes ComEd swap.

(5) Competitive and wholesale business also active in Alberta, British Columbia and Ontario, Canada.

(6)

Exelon

EBITDA

estimates

per

equity

research.

Constellation

EBITDA

estimates

per

company

guidance.

Market Value and

Enterprise

Value

(1)

Pro forma

Standalone

Owned

Generation

(in MW)

(2)

Regulated

Utilities

Competitive

Retail &

Wholesale

(4)

Business

Mix

(6)

\$28 billion

\$41 billion

26,339 (Total)

17,047 (Nuclear)  
Electric customers

5.4 mil. (IL, PA)  
Gas customers

0.5 mil. (PA)

4 states

~59  
TWh/yr  
2012E EBITDA

51% Generation

49% Utilities

\$35 billion

\$52 billion

44 states & D.C.  
(5)

~165  
TWh energy sales

Expect >50% pro forma EBITDA  
from competitive business

35,671 (Total)  
(3)

18,968 (Nuclear)

6.6 million electric & gas customers  
in IL, PA and MD

5

Transaction Overview

100% stock  
0.930 shares of EXC for each share of CEG

Upfront  
transaction  
premium  
of  
18.1%  
(1)

\$2.10 per share Exelon dividend maintained

Expect to close in early 1Q 2012

Exelon and Constellation shareholder approvals in 3Q 2011

Regulatory approvals including FERC, DOJ, MD, NY, TX

Executive Chairman: Mayo Shattuck

President and CEO: Chris Crane

Board of Directors: 16 total (12 from Exelon, 4 from Constellation)

Exelon Corporation

78% Exelon shareholders

22% Constellation shareholders

Corporate headquarters: Chicago, IL

Constellation headquarters: Baltimore, MD

No  
change  
to  
utilities  
headquarters

Significant employee presence maintained in IL, PA and MD

Company Name

Consideration

Pro Forma

Ownership

Headquarters

Governance

Approvals &

Timing

(1) Based on the 30-day average Exelon and Constellation closing stock prices as of April 27, 2011.

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Exelon Transaction Rationale

Increases  
geographic  
diversity  
of  
generation,  
load  
and  
customers  
in  
competitive  
markets

This transaction meets all of our M&A criteria and can be executed



Shared  
Commitment to  
Competitive  
Markets  
Enhances  
Scalable Growth  
Platform  
Creates  
Shareholder  
Value

Expands a valuable channel to market our generation

Enhances margins in the competitive portfolio

Diversifies portfolio across the value chain

EPS break-even in 2012 and accretive by >5% in 2013

Maintains strong credit profile and financial discipline

Maintains earnings upside to future environmental regulations and power market recovery

Adds stability to earnings and cash flow

7

Adds mix of clean generation to the portfolio

Clean  
Generation Fleet

Constellation Transaction Rationale

Upfront premium of 18.1%  
(1)

Dividend  
accretion  
of  
103%  
post-closing

Enhances  
upside  
to

power  
market  
recovery  
and  
synergies  
The  
transaction  
creates  
financial  
and  
strategic  
value  
that  
is  
consistent  
with  
Constellation's  
existing  
strategy  
Creates  
Shareholder  
Value

Creates  
balance  
sheet  
capacity  
to  
pursue  
growth  
opportunities  
throughout  
the  
competitive  
portfolio

Reduces  
cost  
of  
capital  
Balance Sheet  
Strength  
Complementary  
Portfolios

Advances  
strategy  
of  
matching  
load

with  
physical  
generation  
in  
key  
competitive  
markets

Lowers  
collateral  
costs  
of  
competitive  
businesses  
8

(1) Based on the 30-day average Exelon and Constellation closing stock prices as of April 27, 2011.

### This Combination Is Good for Maryland

Maintains employee presence and platform for growth in Maryland

Exelon's Power Team will be combined with Constellation's wholesale and retail business under the Constellation brand and will be headquartered in Baltimore

Constellation and Exelon's renewable energy business headquartered in Baltimore

BGE maintains independent operations headquartered in Baltimore

No involuntary merger-related job reductions at BGE for two years after close

Supports Maryland's economic development and clean energy infrastructure

\$10 million to spur development of electric vehicle infrastructure

\$4 million to support EmPower Maryland Energy Efficiency Act

25 MWs of renewable energy development in Maryland

Charitable contributions maintained for at least 10 years

Provides direct benefits to BGE customers

\$5 million provided for Maryland's  
Electric Universal Service Program (EUSP)

Over \$110 million to BGE residential customers from \$100 one-time rate credit

We will bring direct benefits to the State of Maryland, the City  
of Baltimore and

BGE customers. Total investment in excess of \$250 million.

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Transaction Timetable

2Q 2011

3Q 2011

4Q 2011

1Q 2012

Merger

Announcement

Make Regulatory

Filings

Mail Proxy

Materials

Exelon and

Constellation

Shareholder

Meetings

Secure Regulatory Approvals (including FERC, DOJ, Maryland, NRC,  
New York and Texas)

Divestiture

Process

10



Status of Merger Approvals (as of 5/31/11)

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Stakeholder

Status of Key Milestones

Filed

Approved

Shareholder

Plan to file S-4 Registration Statement June  
2011

Shareholder approval: 3Q 2011

Department of Justice

(DOJ)

Submitted Hart-Scott-Rodino filing on May 31, 2011 for review under U.S. antitrust laws  
Federal Energy  
Regulatory Commission  
(FERC)

Filed merger approval application and related filings on May 20, 2011, which assesses market power-related issues  
Nuclear Regulatory  
Commission

Filed for indirect transfer of Constellation Energy licenses on May 12, 2011  
Maryland

Filed for approval with the Maryland Public Service Commission on May 25, 2011  
New York

Filed for approval with the New York State Public Service Commission on May 17, 2011  
Texas

Filed for approval with the Public Utility Commission of Texas on May 17, 2011

Transaction Economics Are Attractive for  
Both Companies

Refined synergy run-rate and costs to achieve  
estimates due to greater accessibility and availability of  
data post-merger announcement

Higher net O&M savings over 5 years of ~\$50  
million

Updated synergy run-rate of ~\$310 million/year

Additional synergies primarily from corporate and

commercial consolidation

Total costs to achieve of ~\$650 million

Incremental costs to achieve attributable to  
employee related costs and transaction costs

12

Financial Metrics

EPS break-even in 2012 and accretive by >5% in 2013

Free cash flow accretive beginning in 2012

Lower consolidated liquidity requirements, resulting in cost savings

Investment-grade ratings and credit metrics

Synergies

5.8  
0.5  
9.1  
Exelon  
Constellation  
23.2  
27.8  
MISO (TWh)  
PJM (TWh)  
South  
(1)  
(TWh)  
ISO-NE & NY ISO  
(2)

(TWh)

West (TWh)

Load

Generation

31.8

42.8

147.3

58.7

Exelon

Constellation

4.8

27.1

9.1

Exelon

Constellation

Exelon

Constellation

2.4

0.4

0.4

Exelon

Constellation

Load

Generation

Generation

Load

Load

Generation

Load

Generation

6.3

9.1

101.5

179.1

27.8

23.2

27.1

13.9

2.4

0.8

Portfolio Matches Generation with Load in

Key Competitive Markets

The combination establishes an industry-leading platform with regional diversification of the generation fleet

(1)

Represents load and generation in ERCOT, SERC and SPP.

(2)

Constellation load includes ~0.7TWh of load served in Ontario

Note: Data for Exelon and Constellation represents expected generation and load for 2011 as of 12/31/10.

Exelon load includes ComEd Swap, load sold through affiliates, fixed and indexed load sales and load sold through POLR auc

Constellation load includes load sold through affiliates, fixed and indexed load sales and load sold through POLR auctions.  
13

A Clean Generation Profile Creates Long-Term  
Value in Competitive Markets

(1)

Exelon  
generation  
includes  
Wolf  
Hollow  
acquisition  
(720  
MW  
of  
natural  
gas).



Constellation  
generation  
includes  
Boston  
Generation  
acquisition  
(2,950  
MW  
of  
natural  
gas).

Constellation  
nuclear  
reflects  
50.01%  
interest  
in  
Constellation  
Energy  
Nuclear  
Group  
LLC.

(2)  
Net  
of  
physical  
market  
mitigation  
assumed  
to  
be  
2,648  
MW.

Exelon Standalone

(1)  
Total Generation: 26,339 MW

Constellation Standalone

(1)  
Total Generation: 11,980 MW

Pro forma Company (Net of Mitigation)

(2)  
Total Generation: 35,671 MW

14  
Coal  
5%  
Oil  
7%  
Gas  
13%  
Hydro

7%

Wind/Solar/Other

3%

Nuclear

65%

Coal

23%

Nuclear

16%

Gas

54%

Wind/Solar/Other

2%

Hydro

2%

Oil

3%

Nuclear

53%

Coal

6%

Oil

6%

Gas

27%

Hydro

5%

Wind/Solar/

Other

3%

Combined company remains the premier low-cost generator

16%  
34%  
41%  
9%  
RTO  
EMAAC  
MAAC  
SWMAAC  
8%  
15%  
15%  
63%  
EMAAC  
MAAC

RTO  
SWMAAC  
42%  
7%  
51%

RTO  
MAAC  
EMAAC

Increased Regional Diversity in PJM:

Capacity  
Eligible  
for

2014/15  
RPM

Auction  
(1)

2014/15  
RPM

auction  
results

were  
announced

on  
May

13  
th

,  
2011

Pro forma Company

4,390 MW

2,535 MW

9,230 MW

11,345 MW

Exelon Standalone

Constellation Standalone

(1)

All generation values are approximate and not inclusive of wholesale transactions; all capacity values are in installed capacity terms (summer ratings) located in the areas and adjusted for mid-year PPA roll-offs.

8,700 MW

10,300 MW

1,500 MW

1,035 MW

4,390 MW

15

1,045 MW

530 MW

173  
467  
70  
75  
379  
41  
15  
20  
550  
550  
867  
825  
552  
260

415  
516  
1,340  
550  
500  
800  
702  
600  
550  
0  
200  
400  
600  
800  
1,000  
1,200  
1,400  
1,600  
1,800  
2012  
2013  
2014  
2015  
2016  
2017  
2018  
2019  
2020

(in \$M)

Constellation Regulated

Constellation Unregulated

Exelon Regulated

Exelon Unregulated

Ample Liquidity and Manageable

Debt Maturities

Sources of Liquidity

Debt

Maturity

Profile

(2012-2020)

(2)

Exelon & Constellation (excluding utilities)  
currently have \$10.3 billion of liquidity

Additional \$2.2 billion of utility liquidity

Matching retail load and generation  
reduces liquidity requirements for  
combined company

\$6.3B -

\$7.3 billion

(1)

of liquidity provides  
ample cushion

16

(in \$B)

(1)

Based on preliminary analysis.

(2)

Debt maturity schedule as of 3/31/11, not including fair value swaps at Constellation Unregulated. Constellation Regulated debt transition

bond

payments

from

2012

2017.

(1)

~75% of 2012

2016 debt

maturities consist of  
regulated utility debt

\$6.1

\$6.3 - \$7.3

\$3 - \$4

\$4.2

Existing liquidity  
(ex-utilities)

Reduction in

existing liquidity

Pro forma liquidity

Constellation

Exelon

Pro forma