

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, 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, (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. 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)

11

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.
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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