UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-Q

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

For the quarterly period ended September 30, 2000

OR

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

Commission file number: 1-16169

Exelon Corporation
(Exact name of registrant as specified in its charter)

Pennsylvania	23-2990190
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

37th Floor, 10 South Dearborn Post Office Box A-3005 Chicago, Illinois	60690-3005
(Address of principal executive offices)	(Zip Code)

(312) 394-4321
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 _____ No X _____

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date:

The Company had 318,440,473 shares of common stock outstanding on October 27, 2000.

On October 20, 2000, pursuant to a Second Amended and Restated Agreement and Plan of Exchange and Merger dated as of September 22, 1999 as amended and restated as of October 10, 2000, among PECO Energy Company, a Pennsylvania corporation (PECO Energy), Exelon Corporation, a Pennsylvania corporation (Exelon) and Unicom Corporation, an Illinois corporation (Unicom), PECO Energy, Exelon and Unicom consummated the merger and exchange.

Exelon had no substantive operations for the three and nine months ended September 30, 2000. However, as a result of the timing of the consummation of the merger, under the Securities Exchange Act of 1934, Exelon is required to file a Form 10-Q for the period ending September 30, 2000. The merger transaction has been accounted for under the purchase method of accounting with PECO Energy as the acquiror and Unicom as the acquired company. This Exelon Form 10-Q consists of PECO Energy's Form 10-Q as of September 30, 2000 and Unicom's Quarterly Report filed as an exhibit.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(In Millions, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
OPERATING REVENUES				
Electric	$ 1,370	$ 1,674	$ 3,540	$ 3,825
Gas	79	50	379	363
Infrastructure Services and Other	180	5	447	21
TOTAL OPERATING REVENUES	1,629	1,729	4,366	4,209
OPERATING EXPENSES				
Fuel and Energy Interchange	576	786	1,515	1,746
Operating and Maintenance	454	339	1,305	1,015
Depreciation and Amortization	83	57	244	171
Taxes Other Than Income Taxes	67	76	197	196
TOTAL OPERATING EXPENSES	1,180	1,258	3,261	3,128
OPERATING INCOME	449	471	1,105	1,081
OTHER INCOME AND DEDUCTIONS				
Interest Expense	(113)	(108)	(333)	(296)
Company Obligated Mandatorily Redeemable Preferred Securities of a Partnership	(2)	(4)	(7)	(19)
Allowance for Funds Used During Construction	1	--	2	2
Equity in Earnings (Losses) of Unconsolidated Affiliates	23	(5)	26	(28)
Other, Net	22	14	50	31
TOTAL OTHER INCOME AND DEDUCTIONS	(69)	(103)	(262)	(310)
INCOME BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	380	368	843	771
INCOME TAXES	142	137	316	287
INCOME BEFORE EXTRAORDINARY ITEM	238	231	527	484
EXTRAORDINARY ITEM - NET OF INCOME TAXES	(1)	--	(4)	(27)
NET INCOME	237	231	523	457
PREFERRED STOCK DIVIDENDS	3	3	8	9
EARNINGS APPLICABLE TO COMMON STOCK	$ 234	$ 228	$ 515	$ 448
AVERAGE SHARES OF COMMON STOCK OUTSTANDING	170	187	175	201
EARNINGS PER AVERAGE COMMON SHARE:				
BASIC:				
Income Before Extraordinary Item	$ 1.38	$ 1.22	$ 2.96	$ 2.36
Extraordinary Item	--	--	(0.02)	(0.13)
Net Income	$ 1.38	$ 1.22	$ 2.94	$ 2.23
DILUTED:				
Income Before Extraordinary Item	$ 1.36	$ 1.21	$ 2.94	$ 2.34
Extraordinary Income	--	--	(0.02)	(0.13)
Net Income	$ 1.36	$ 1.21	$ 2.92	$ 2.21
DIVIDENDS PER AVERAGE COMMON SHARE	$ 0.25	$ 0.25	$ 0.75	$ 0.75

See Notes to Condensed Consolidated Financial Statements

PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Millions)

	September 30, 2000 (Unaudited)	December 31, 1999
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 169	$ 228
Accounts Receivable, Net	776	704
Inventories, at average cost	232	206
Other	180	87
Total Current Assets	1,357	1,225
PROPERTY, PLANT AND EQUIPMENT, NET	5,196	5,049
DEFERRED DEBITS AND OTHER ASSETS		
Competitive Transition Charge	5,232	5,275
Recoverable Deferred Income Taxes	638	638
Deferred Non-Pension Postretirement Benefits Costs	80	84
Investments	722	538
Loss on Reacquired Debt	66	71
Goodwill	192	121
Other	184	131
Total Deferred Debits and Other Assets	7,114	6,858
TOTAL ASSETS	$13,667	$13,132

See Notes to Condensed Consolidated Financial Statements

PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Millions)
(continued)

	September 30, 2000 (Unaudited)	December 31, 1999
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Notes Payable, Bank	$ 284	$ 163
Long-Term Debt Due Within One Year	306	128
Accounts Payable	308	270
Accrued Expenses	489	616
Deferred Income Taxes	22	15
Other	121	94
Total Current Liabilities	1,530	1,286
LONG-TERM DEBT	6,252	5,969
DEFERRED CREDITS AND OTHER LIABILITIES		
Deferred Income Taxes	2,444	2,411
Unamortized Investment Tax Credits	275	286
Pension Obligation	213	213
Non-Pension Postretirement Benefits Obligation	457	443
Other	467	430
Total Deferred Credits and Other Liabilities	3,856	3,783
COMPANY OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF A PARTNERSHIP	128	128
MANDATORILY REDEEMABLE PREFERRED STOCK	37	56
COMMITMENTS AND CONTINGENCIES (NOTE 7)		
SHAREHOLDERS' EQUITY		
Common Stock (No Par)	3,576	3,576
Preferred Stock	137	137
Other Paid-In Capital	3	1
Retained Earnings (Accumulated Deficit)	301	(103)
Treasury Stock, at cost	(2,179)	(1,705)
Accumulated Other Comprehensive Income	26	4
Total Shareholders' Equity	1,864	1,910
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 13,667	$ 13,132

See Notes to Condensed Consolidated Financial Statements

PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In Millions)

	Nine Months Ended September 30, 2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 523	$ 457
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	335	246
Provision for Uncollectible Accounts	43	40
Extraordinary Item (net of income taxes)	4	27
Deferred Income Taxes	19	(15)
Amortization of Investment Tax Credits	(11)	(11)
Deferred Energy Costs	6	43
Equity in Earnings (Losses) of Unconsolidated Affiliates	(26)	28
Other Items Affecting Operations	(28)	86
Changes in Working Capital:		
Accounts Receivable	(20)	(186)
Repurchase of Accounts Receivable	(50)	(150)
Inventories	(26)	(6)
Accounts Payable	19	15
Accrued Expenses	(90)	156
Other Current Assets and Liabilities	(93)	(70)
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	605	660
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in Plant	(435)	(362)
Exelon Infrastructure Services Acquisitions, net of cash acquired	(91)	--
Investments in and Advances to Joint Ventures	--	(60)
Increase in Other Investments	(67)	(68)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(593)	(490)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of Long-Term Debt	1,017	3,997
Retirement of Long-Term Debt	(545)	(1,068)
Common Stock Repurchase	(496)	(1,507)
Change in Short-Term Debt	118	(403)
Dividends on Preferred and Common Stock	(139)	(160)
Retirement of Mandatorily Redeemable Preferred Stock	(19)	(37)
Proceeds from Exercise of Stock Options	17	14
Retirement of Company Obligated Mandatorily Redeemable Preferred Securities of a Partnership	--	(221)
Repayment of Capital Lease Obligations	--	(139)
Other Items Affecting Financing	(24)	(30)
NET CASH FLOWS PROVIDED BY (USED IN) FINANCING ACTIVITIES	(71)	446
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(59)	616
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	228	48
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 169	$ 664

See Notes to Condensed Consolidated Financial Statements

PECO ENERGY COMPANY AND SUBSIDIARY COMPANIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements as of September 30, 2000 and for the three and nine months then ended are unaudited, but include all adjustments that PECO Energy Company (Company) considers necessary for a fair presentation of such financial statements. All adjustments are of a normal, recurring nature. The year-end condensed consolidated balance sheet data were derived from audited financial statements but do not include all disclosures required by generally accepted accounting principles. Certain prior-year amounts have been reclassified for comparative purposes. These notes should be read in conjunction with the Notes to Consolidated Financial Statements in Item 8 of the Company's Annual Report on Form 10-K for the year ended December 31, 1999, as amended by Form 10-K/A filed on April 28, 2000.

2. MERGER WITH UNICOM CORPORATION

On September 22, 1999, the Company and Unicom Corporation (Unicom) entered into an Agreement and Plan of Exchange and Merger providing for a merger of equals. On October 10, 2000, the Agreement and Plan of Exchange and Merger was amended and restated (Merger Agreement). On October 20, 2000, the merger was completed and all of the shares of the Company were exchanged on a one-for-one basis in accordance with the Merger Agreement. As a result of this share exchange, the Company became a wholly owned subsidiary of Exelon Corporation. The transaction is being accounted for as a purchase with the Company as acquiror.

Under a comprehensive settlement agreement entered into by the Company in connection with the approval by the Pennsylvania Public Utility Commission (PUC) of the merger, the Company has agreed to $200 million in rate reductions for all customers over the period January 1, 2002 through 2005 and extended rate caps on the Company's retail electric distribution charges through December 31, 2006. The comprehensive settlement agreement also provides for electric reliability and customer service standards, mechanisms to enhance competition and customer choice, expanded assistance to low-income customers, extensive funding for wind and solar energy and community education, nuclear safety research funds, customer protection against nuclear costs outside of Pennsylvania, and maintenance of charitable and civic contributions and employment for the Company's headquarters in Philadelphia.

3. SERIES 2000-A TRANSITION BONDS

On May 2, 2000, PECO Energy Transition Trust (PETT), an independent statutory business trust organized under the laws of Delaware and a wholly owned subsidiary of the Company, issued an additional $1 billion aggregate principal amount of transition bonds (Series 2000-A Transition Bonds) to securitize a portion of the Company's authorized stranded cost recovery. As a result of this transaction, the Company has securitized a total of $5 billion of its $5.26 billion of stranded cost recovery. The transition bonds issued by PETT, including the Series 2000-A Transition Bonds, are solely obligations of PETT, secured by intangible transition property sold by the Company to PETT concurrently with the issuance of the transition bonds and certain other related collateral.

The terms of the Series 2000-A Transition Bonds are as follows:

Series 2000-A Class	Approximate Face Amount (millions)	Interest Rate	Expected Final Payment Date	Termination Date
A-1	$110	7.18%	September 1, 2001	September 1, 2003
A-2	$140	7.30%	September 1, 2002	September 1, 2004
A-3	$399	7.63%	March 1, 2009	March 1, 2010
A-4	$351	7.65%	September 1, 2009	September 1, 2010

The Company has used the proceeds from the securitization to reduce the Company's stranded costs and related capitalization. On May 3, 2000, $502 million of the proceeds were used to settle a forward purchase agreement that was entered into in January 2000 resulting in the repurchase of 12 million shares of common stock. During May and June 2000, the Company used $463 million to purchase and/or redeem First and Refunding Mortgage Bonds, to reduce other debt, to repurchase accounts receivable and to pay transaction expenses. The remaining proceeds were used to redeem First and Refunding Mortgage Bonds on August 1, 2000.

The Company incurred extraordinary charges aggregating $4 million, net of tax, consisting of prepayment premiums and the write-off of unamortized deferred financing costs associated with the early retirement of debt during the nine months ended September 30, 2000.

In February 2000, the Company entered into forward starting interest rate swaps for a notional amount of $1 billion in anticipation of the issuance of the Series 2000-A Transition Bonds in the second quarter of 2000. On May 2, 2000, the Company settled these forward starting interest rate swaps and paid the counterparties approximately $12 million which was deferred and is being amortized over the life of the Series 2000-A Transition Bonds as an increase in interest expense consistent with the Company's hedge accounting policy.

4. SEGMENT INFORMATION

The Company's segment information as of and for the three and nine months ended September 30, 2000 as compared to the same periods in 1999 is as follows (in millions):

Quarter Ended September 30, 2000 as compared to the Quarter Ended September 30, 1999

	Distribution	Generation	Ventures	Corporate	Intersegment Revenues	Consolidated
Revenues:						
2000	$ 877	$ 901	$ 193	$ -	$ (342)	$ 1,629
1999	$ 882	$ 1,089	$ 7	$ -	$ (249)	$ 1,729
EBIT (a):						
2000	$ 277	$ 267	$ (9)	$ (41)		$ 494
1999	$ 390	$ 140	$ (9)	$ (41)		$ 480

Nine Months Ended September 30, 2000 as compared to Nine Months Ended September 30, 1999

	Distribution	Generation	Ventures	Corporate	Intersegment Revenues	Consolidated
Revenues:						
2000	$ 2,496	$ 2,125	$ 469	$ -	$ (724)	$ 4,366
1999	$ 2,535	$ 2,285	$ 16	$ -	$ (627)	$ 4,209
EBIT (a):						
2000	$ 928	$ 412	$ (21)	$ (138)		$ 1,181
1999	$ 1,055	$ 197	$ (46)	$ (122)		$ 1,084
Total Assets:						
September 30, 2000	$ 10,629	$ 1,837	$ 781	$ 420		$ 13,667
December 31, 1999	$ 10,294	$ 1,779	$ 640	$ 419		$ 13,132

(a) EBIT - Earnings Before Interest and Income Taxes.

5. EARNINGS PER SHARE

Diluted earnings per average common share is calculated by dividing earnings applicable to common stock by the average number of shares of common stock outstanding after giving effect to stock options issuable under the Company's stock option plans which are considered to be dilutive common stock equivalents. The following table shows the effect of the stock options issuable under the Company's stock option plans on the average number of shares used in calculating diluted earnings per average common share (in millions of shares):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
Average Common Shares Outstanding	170	187	175	201
Assumed Exercise of Stock Options	2	1	1	1
Potential Average Dilutive Common Shares Outstanding	172	188	176	202

6. SALES OF ACCOUNTS RECEIVABLE

The Company is party to an agreement with a financial institution under which it can sell or finance with limited recourse an undivided interest, adjusted daily, in designated accounts receivable until November 2000. In May 2000, the Company used a portion of the proceeds from the Series 2000-A Transition Bonds to repurchase $50 million of the interest in accounts receivable, including $10 million of special agreement accounts receivable (See Note 3 - Series 2000-A Transition Bonds). This repurchase reduced the amount of accounts receivable the Company could sell or finance under the agreement from $275 million to $225 million.

At September 30, 2000, the Company had sold a $225 million interest in accounts receivable, consisting of a $187 million interest in accounts receivable which the Company accounts for as a sale under Statement of Financial Accounting Standards (SFAS) No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities," and a $38 million interest in special agreement accounts receivable which are accounted for as a long-term note payable. The Company retains the servicing responsibility for these receivables. The agreement requires the maintenance of a minimum level of eligible accounts receivable which, if not met, requires the Company to deposit cash with the financial institution. At September 30, 2000, these requirements were met.

7. COMMITMENTS AND CONTINGENCIES

For information regarding the Company's capital commitments, nuclear insurance, nuclear decommissioning and spent fuel storage, energy commitments, environmental issues and litigation, see Note 6 of Notes to Consolidated Financial Statements for the year ended December 31, 1999.

In July 2000, the Company signed an agreement with the Department of Energy (DOE) under which the Company will be reimbursed for costs resulting from the DOE's delay in accepting spent nuclear fuel. The agreement applies only to the Peach Bottom Atomic Power Station (Peach Bottom). The Company's portion of the reimbursement is approximately $16 million. The agreement allows the Company to reduce the charges paid to the Nuclear Waste Fund to reflect costs reasonably incurred by the Company due to the DOE's delay. In accordance with the Nuclear Waste Policy Act of 1982 (NWPA), the Company pays the DOE one mil ($.001) per kilowatthour of net nuclear generation for the cost of nuclear fuel disposal. Past and future costs associated with Peach Bottom's recently completed on-site dry storage facility are eligible for this reduction in future DOE fees. Negotiations of settlements relating to the Company's other nuclear plants will be conducted on a plant-by-plant basis.

The Company has identified 28 sites where former manufactured gas plant (MGP) activities have or may have resulted in actual site contamination. As of September 30, 2000, the Company's accrual for environmental investigation and remediation costs was $55 million, including $30 million for MGP investigation and remediation that currently can be reasonably estimated. The Company cannot predict whether it will incur other significant liabilities for additional investigation and remediation costs at these or additional sites identified by the Company, environmental agencies or others, or whether all such costs will be recoverable from third parties.

At December 31, 1998, the Company incurred a charge of $125 million ($74 million, net of income taxes) for its Early Retirement and Separation Program relating to 1,157 employees. The estimated cost of separation benefits was approximately $47 million. Retirement benefits of approximately $78 million are being paid to the retirees over their lives. All cash payments related to the Early Retirement and Separation Program were funded through the assets of the Company's Service Annuity Plan. The Early Retirement and Separation Program terminated on June 30, 2000.

At September 30, 2000, the Company had long-term commitments, in megawatt hours (MWhs) and dollars, relating to the purchase and sale of energy, capacity and transmission rights from unaffiliated utilities and others as expressed in the tables below (in millions):

	Power Only			
	Purchases		Sales	
	MWhs	Dollars	MWhs	Dollars
2000	4	$ 27	7	$ 207
2001	19	195	16	627
2002	27	131	10	460
2003	28	138	6	233
2004	27	116	3	107
Thereafter	135	82	5	167
Total		$ 689		$ 1,801

	Capacity Purchases in Dollars	Capacity Sales in Dollars	Transmission Rights Purchases in Dollars
2000	$ 10	$ 5	$ 24
2001	83	32	60
2002	149	21	63
2003	176	16	22
2004	167	3	21
Thereafter	1,833	10	79
Total	$ 2,418	$ 87	$ 269

In the first quarter of 2000, the Company restructured an existing power sales contract from a variable price with fixed capacity sales to a fixed price power only contract which decreased the Company's commitments for capacity sales and increased the Company's commitments for power only sales.

8. NEW ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," (SFAS No. 133) to establish accounting and reporting standards for derivatives. The new standard requires recognizing all derivatives as either assets or liabilities on the balance sheet at their fair value and specifies the accounting for changes in fair value depending upon the intended use of the derivative.

In June 2000, the FASB issued SFAS No. 138 "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No. 133" (SFAS No. 138). This standard amends the accounting and reporting standards of SFAS No. 133. The Company expects to adopt SFAS No. 133 and SFAS No. 138 on January 1, 2001. The Company initiated a process to implement SFAS No. 133 and SFAS No. 138 by evaluating all of the derivatives of the Company for SFAS No. 133 and SFAS No. 138 implications. This phase of implementation has been completed and the Company is in the process of evaluating the impact of SFAS No. 133 and SFAS No. 138 on its financial statements.

9. EXELON INFRASTRUCTURE SERVICES, INC. ACQUISITIONS

In the second quarter of 2000, Exelon Infrastructure Services, Inc. (EIS), an unregulated subsidiary of the Company, acquired the stock or assets of four utility service contracting companies for an aggregate purchase price of approximately $91 million, net of cash acquired, including stock of EIS. The acquisitions were accounted for using the purchase method of accounting. The initial estimate of the excess of purchase price over the fair value of net assets acquired was approximately $77 million which is being amortized over 20 years.

10. SITHE ENERGIES ACQUISITION

On August 14, 2000, the Company signed a definitive agreement to purchase 49.9% of Sithe Energies North America's (Sithe) outstanding common stock for $682 million, with an option to purchase the remaining common stock outstanding exercisable between two and five years after the date of closing, at a price to be determined based on prevailing market conditions.

Sithe is an independent power generator in North America utilizing primarily fossil and hydro generation. The purchase involves approximately 10,000 megawatts (MW) of generation consisting of 3,800 MW of existing merchant generation, 2,500 MW under construction, and another 3,700 MW of generation in various stages of development, as well as Sithe's domestic marketing and development businesses. The generation assets are located primarily in Massachusetts and New York, but also include plants in Pennsylvania, California, Colorado and Idaho, as well as Canada and Mexico.

11. OYSTER CREEK ACQUISITION

In August 2000, AmerGen Energy Company, LLC (AmerGen), the joint venture between the Company and British Energy, plc, completed the purchase of Oyster Creek Nuclear Generating Facility (Oyster Creek) from GPU, Inc. (GPU) for $10 million. Under the terms of the purchase agreement, GPU has agreed to fund outage costs not to exceed $89 million, including the cost of fuel, for a refueling outage scheduled for October 2000. AmerGen will repay these costs to GPU in nine equal annual installments beginning in August 2001. In addition, AmerGen assumed full responsibility for the ultimate decommissioning of Oyster Creek. At the closing of the sale, GPU provided funding for the decommissioning trust of $440 million. GPU is purchasing the electricity generated by Oyster Creek pursuant to a power purchase agreement.

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

GENERAL

On September 22, 1999, the Company and Unicom Corporation (Unicom) entered into an Agreement and Plan of Exchange and Merger providing for a merger of equals. On October 10, 2000, the Agreement and Plan of Exchange and Merger was amended and restated (Merger Agreement). For additional information, see "PART II, ITEM 7. - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - General," in the Company's 1999 Annual Report on Form 10-K as amended by Form 10-K/A filed on April 28, 2000. On October 20, 2000, the merger was completed and all of the shares of the Company were exchanged on a one-for-one basis in accordance with the Merger Agreement. As a result of this share exchange, the Company became a wholly owned subsidiary of Exelon Corporation (Exelon). The transaction is being accounted for as a purchase with the Company as acquiror. In the fourth quarter of 2000, the Company expects to incur certain charges, including severance costs, stock compensation costs and settlement charges related to the merger. As of September 30, 2000, the Company is unable to estimate the aggregate financial statement impact of these charges.

Under a comprehensive settlement agreement entered into by the Company in connection with the approval by the Pennsylvania Public Utility Commission (PUC) of the merger, the Company has agreed to $200 million in rate reductions for all customers over the period January 1, 2002 through 2005 and extended rate caps on the Company's retail electric distribution charges through December 31, 2006. The comprehensive settlement agreement also provides for electric reliability and customer service standards, mechanisms to enhance competition and customer choice, expanded assistance to low-income customers, extensive funding for wind and solar energy and community education, nuclear safety research funds, customer protection against nuclear costs outside of Pennsylvania, and maintenance of charitable and civic contributions and employment for the Company's headquarters in Philadelphia.

In connection with the regulatory approvals of the merger, Exelon received authorization to restructure the operations of the Company and Unicom. Exelon is currently contemplating restructuring the Company's generation and ventures business units into newly formed subsidiaries of Exelon in 2001. Accordingly, the operations of the Company after the contemplated restructuring would essentially represent the Company's distribution business unit.

Retail competition for electric generation services began in Pennsylvania on January 1, 1999. Effective January 1, 2000, all of the Company's retail electric customers in its traditional service territory have the right to choose their generation suppliers. At September 30, 2000, approximately 17% of the Company's residential load, 46% of its commercial load and 41% of its industrial load were purchasing generation service from an alternative electric generation supplier. As of that date, Exelon Energy, the Company's alternative energy supplier, was providing electric generation service to approximately 99,000 business and residential customers located throughout Pennsylvania.

On May 2, 2000, PECO Energy Transition Trust (PETT), an independent statutory business trust organized under the laws of Delaware and a wholly owned subsidiary of the Company, issued an additional $1 billion aggregate principal amount of transition bonds (Series 2000-A Transition Bonds) to securitize a portion of the Company's authorized stranded cost recovery. See Note 3 of Notes to Condensed Consolidated Financial Statements.

In the second quarter of 2000, Exelon Infrastructure Services, Inc. (EIS) acquired four additional infrastructure services companies. These acquisitions combined with EIS' acquisitions in the fourth quarter of 1999 contributed to the growth in revenue, operating and maintenance (O&M) expenses and depreciation and amortization expenses in the three and nine month periods ended September 30, 2000 as compared to the same prior year periods.

In the third quarter of 2000, the Company reclassified the results of operations for its non-utility businesses in its Condensed Consolidated Statements of Income from other income and deductions to revenue and O&M expense for the three and nine month periods ended September 30, 2000 and 1999.

RESULTS OF OPERATIONS

Revenue and Expense Items as a Percentage of Total Operating Revenues					Percentage Dollar Changes 2000 vs. 1999	
Quarter Ended September 30,		Nine Months Ended September 30,			Quarter Ended September 30,	Nine Months Ended September 30,
2000	1999	2000	1999			
84%	97%	81%	91%	Electric	(18%)	(7%)
5%	3%	9%	8%	Gas	58%	4%
11%	--	10%	1%	Infrastructure Services and Other	3,500%	2,029%
100%	100%	100%	100%	Total Operating Revenues	(6%)	4%
35%	46%	35%	41%	Fuel and Energy Interchange	(27%)	(13%)
28%	20%	30%	24%	Operating and Maintenance	34%	29%
5%	3%	6%	4%	Depreciation and Amortization	46%	43%
4%	4%	4%	5%	Taxes Other Than Income	(12%)	1%
72%	73%	75%	74%	Total Operating Expenses	(6%)	4%
28%	27%	25%	26%	Operating Income	(5%)	2%
(7%)	(7%)	(8%)	(8%)	Interest Charges	2%	8%
1%	--	1%	(1%)	Equity in Earnings (Losses) of Unconsolidated Affiliates	560%	193%
1%	1%	1%	1%	Other, Net	57%	61%
23%	21%	19%	18%	Income Before Income Taxes and Extraordinary Item	3%	9%
9%	8%	7%	6%	Income Taxes	4%	10%
14%	13%	12%	12%	Income Before Extraordinary Item	3%	9%
--	--	--	(1%)	Extraordinary Items	(100%)	(85%)
14%	13%	12%	11%	Net Income	3%	14%

Third Quarter 2000 Compared To Third Quarter 1999

Operating Revenues

Electric revenues decreased $304 million, or 18%, to $1,370 million for the quarter ended September 30, 2000 compared to the same 1999 period. The decrease was attributable to lower revenues from the generation business unit of $280 million and lower revenues from the distribution business unit of $24 million.

The decrease in electric revenues from the generation business unit was primarily attributable to lower wholesale revenues of $166 million as a result of $128 million associated with lower volume and $38 million associated with lower prices. The decrease was also attributable to reduced sales of competitive electric generation services by Exelon Energy of $65

million as a result of $74 million from decreased volume partially offset by $9 million as a result of increased prices. In addition, the termination of the operating agreement for the Clinton Nuclear Power Station (Clinton) resulted in lower revenues of $49 million. As a result of the acquisition by AmerGen Energy Company, LLC (AmerGen) of Clinton in December 1999, the operating agreement was terminated and, accordingly, the operations of Clinton have been included in Equity in Earnings (Losses) of Unconsolidated Affiliates on the Company's Statements of Income since that date. The decrease from the distribution business unit was primarily attributable to $103 million as a result of lower volume from the effects of weather conditions partially offset by an increase of $79 million attributable to customers selecting the distribution business unit as their electric generation supplier and rate adjustments.

Gas revenues increased $29 million, or 58%, to $79 million for the quarter ended September 30, 2000 compared to the same 1999 period. The increase in gas revenues was primarily attributable to $11 million resulting from increased volume, $11 million from wholesale sales of natural gas and $7 million as a result of higher prices.

Infrastructure services and other revenues increased $175 million, to $180 million primarily as a result of the EIS acquisitions in the fourth quarter of 1999 and the second quarter of 2000.

Fuel and Energy Interchange Expense

Fuel and energy interchange expense decreased $210 million, or 27%, to $576 million for the quarter ended September 30, 2000 compared to the same 1999 period. The decrease was attributable to lower fuel and energy interchange expenses associated with the generation business unit of $228 million partially offset by an increase in energy interchange expenses in the distribution business unit of $18 million. As a percentage of revenue, fuel and energy interchange expenses were 35% as compared to 46% in the comparable prior year period.

The decrease in fuel and energy interchange expense from the generation business unit was primarily attributable to $153 million from Exelon Energy sales principally related to $162 million as a result of decreased volume partially offset by $9 million as a result of increased prices. The decrease was also attributable to $101 million from wholesale operations principally related to $73 million as a result of decreased volume and $28 million as a result of decreased prices. These decreases were partially offset by an increase of $32 million for the cost to supply the distribution business unit. The generation business unit is the primary source of supply for the distribution business unit. Accordingly, sales volume changes at the distribution business unit have a direct impact on fuel and energy interchange expense of the generation business unit. The increase from the distribution business unit was primarily attributable to $8 million principally related to wholesale sales of natural gas and $7 million in PJM Interconnection, LLC (PJM) ancillary charges.

Operating and Maintenance Expense

O&M expense increased $115 million, or 34%, to $454 million for the quarter ended September 30, 2000 compared to the same 1999 period. As a percentage of revenue, O&M expenses were 28% as compared to 20% in the same 1999 period. The ventures business unit's O&M expenses increased $158 million related to the infrastructure services business as a result of the EIS acquisitions. The generation business unit's O&M expenses decreased $30 million primarily as a result of O&M expenses related to the operating agreement for Clinton of $19 million in 1999, $8 million related to the abandonment of an information system implementation in 1999, lower joint-owner expenses of $7 million and $5 million of lower administrative and general expenses related to the unregulated retail sales of electricity. These decreases were partially offset by higher compensation expense of $6 million and higher non-utility operations expense of $3 million. The distribution business unit's O&M expenses decreased $3 million primarily as a result of $11 million of expenses related to restoration activities as a result of Hurricane Floyd in 1999 partially offset by increases in miscellaneous O&M expenses. In addition, the Company experienced a decrease in general corporate expenses consisting of $12 million from lower pension expense as a result of the performance of the investments in the Company's pension plan and $5 million of lower Year 2000 (Y2K) remediation expenditures in 1999 partially offset by an increase of $7 million in incremental merger expenses.

Depreciation and Amortization Expense

Depreciation and amortization expense increased $26 million, or 46%, to $83 million for the quarter ended September 30, 2000 compared to the same 1999 period. As a percentage of revenue, depreciation and amortization expense was 5% as compared to 3% in the comparable prior year period. The increase was primarily attributable to $16 million associated with the commencement of the amortization of $5.26 billion of Competitive Transition Charges in 2000. The increase also included $9 million related to EIS depreciation and amortization expense and $1 million related to increased plant in service.

Taxes Other Than Income

Taxes other than income decreased $9 million, or 12%, to $67 million for the quarter ended September 30, 2000 compared to the same 1999 period. The decrease was primarily attributable to lower real estate taxes of $3 million relating to a change in tax laws for utility property in Pennsylvania and $3 million as a result of the elimination of the gross receipts tax on gas sales partially offset by a net increase in gross receipts tax on electric sales.

Interest Charges

Interest charges consist of interest expense, distributions on Company Obligated Mandatorily Redeemable Preferred Securities of a Partnership (COMRPS) and Allowance for Funds Used During Construction (AFUDC). Interest charges increased $2 million, or 2%, to $114 million for the quarter ended September 30, 2000 compared to the same 1999 period. The increase was primarily attributable to interest on the Series 2000-A Transition Bonds of $18 million partially offset by the Company's reduction of long-term debt with the proceeds of transition bonds which reduced interest charges by $15 million.

Equity in Earnings (Losses) of Unconsolidated Affiliates

Equity in earnings (losses) of unconsolidated affiliates increased $28 million to earnings of $23 million for the quarter ended September 30, 2000 as compared to losses of $5 million in the same 1999 period. The increase was primarily attributable to $42 million of earnings from the Company's equity investment in AmerGen as a result of the acquisitions of Three Mile Island Unit No. 1 Nuclear Generating Facility (TMI) and Clinton in December 1999 partially offset by $12 million of increased losses from the Company's telecommunications equity investments principally as a result of costs associated with customer base growth.

Other Income and Deductions

Other income and deductions excluding interest charges and equity in earnings (losses) of unconsolidated affiliates increased $8 million to income of $22 million for the quarter ended September 30, 2000 as compared to $14 million in the same 1999 period. The increase in other income and deductions was primarily attributable to gains on sales of investments of $9 million partially offset by a decrease in interest income of $2 million.

Income Taxes

The effective tax rate was 37.4% for the quarter ended September 30, 2000 as compared to 37.2% in the same 1999 period.

Extraordinary Items

During the third quarter of 2000, the Company incurred an extraordinary charge of $1 million, net of tax, consisting of prepayment premiums and the write-off of unamortized deferred financing costs associated with the early retirement of debt with a portion of the proceeds from the issuance of Series 2000-A Transition Bonds in May 2000.

Preferred Stock Dividends

Preferred stock dividends for the quarter ended September 30, 2000 were consistent with the comparable prior year. In August 2000, the Company redeemed $19 million of Mandatorily Redeemable Preferred Stock.

Earnings

Earnings applicable to common stock increased $6 million, or 3%, to $234 million in the third quarter of 2000. Earnings per average common share on a fully diluted basis increased $0.15 per share or 12%, to $1.36 per share in the third quarter of 2000, reflecting the increase in net income and a decrease in the weighted average shares of common stock outstanding as a result of the use of proceeds from the Company's April 1999 and May 2000 stranded cost recovery securitizations.

Nine Months Ended September 30, 2000 Compared To Nine Months Ended September 30, 1999

Operating Revenues

Electric revenues decreased $285 million, or 7%, to $3,540 million for the nine months ended September 30, 2000 compared to the same 1999 period. The decrease was attributable to lower revenues from the generation business unit of $240 million and lower revenues from the distribution business unit of $45 million.

The decrease in electric revenues from the generation business unit was primarily attributable to $100 million from lower wholesale revenues as a result of $150 million associated with lower volume partially offset by $50 million associated with higher prices. In addition, the sale of competitive electric generation services by Exelon Energy decreased $72 million which was primarily attributable to $97 million as a result of decreased volume partially offset by $25 million from increased prices. In addition, the termination of the operating agreement for Clinton resulted in lower revenues of $62 million. The decrease from the distribution business unit was primarily attributable to a decrease of $83 million as a result of lower volume from the effects of weather conditions partially offset by an increase of $38 million attributable to customers selecting the distribution business unit as their electric generation supplier and rate adjustments.

Gas revenues increased $16 million, or 4%, to $379 million for the nine months ended September 30, 2000 compared to the same 1999 period. The increase in gas revenues was primarily attributable to $22 million resulting from increased volume from new and existing customers, $11 million from wholesale sales of natural gas and $4 million resulting from increased volume related to weather conditions. These increases were partially offset by $15 million from the elimination of the gross receipts tax in connection with gas restructuring in Pennsylvania and $9 million as a result of lower prices.

Infrastructure services and other revenues increased $426 million to $447 million primarily as a result of the EIS acquisitions in the fourth quarter of 1999 and the second quarter of 2000.

Fuel and Energy Interchange Expense

Fuel and energy interchange expense decreased $231 million, or 13%, to $1,515 million for the nine months ended September 30, 2000 compared to the same 1999 period. The decrease was attributable to lower fuel and energy interchange expenses associated with the generation business unit of $227 million and the distribution business unit of $4 million. As a percentage of revenue, fuel and energy interchange expenses were 35% as compared to 41% in the comparable prior year period.

The decrease in fuel and energy interchange expense from the generation business unit was primarily attributable to $207 million from Exelon Energy sales principally related to $240 million as a result of decreased volume partially offset by $33 million as a result of increased prices. The decrease was also attributable to $93 million from wholesale operations principally related to $92 million as a result of decreased volume and $1 million as a result of decreased prices. These decreases were partially offset by an increase of $70 in the cost to supply the

distribution business unit. The decrease from the distribution business unit was primarily attributable to $24 million in lower PJM Interconnection, LLC (PJM) ancillary charges partially offset by an increase of $15 million principally related to wholesale sales of natural gas.

Operating and Maintenance Expense

O&M expense increased $290 million, or 29%, to $1,305 million for the nine months ended September 30, 2000 compared to the same 1999 period. As a percentage of revenue, O&M expenses were 30% as compared to 24% in the same 1999 period. The ventures business unit's O&M expenses increased $416 million related to the infrastructure services business as a result of the EIS acquisitions. The generation business unit's O&M expenses decreased $94 million primarily as a result of O&M expenses related to the operating agreement for Clinton of $44 million in 1999, lower non-utility operations expense of $21 million, $15 million related to the abandonment of two information systems implementations in 1999, $14 million related to lower administrative and general expenses related to the unregulated retail sales of electricity, $11 million related to lower joint-owner expenses and $8 million associated with the write-off of excess and obsolete inventory in 1999. These decreases were partially offset by higher compensation expense of $19 million in the comparable prior year period. The distribution business unit's O&M expenses increased $1 million primarily as a result of $7 million higher compensation expense partially offset by $11 million of additional expenses related to restoration activities as a result of Hurricane Floyd in 1999. In addition, the Company experienced a decrease in general corporate expenses of $35 million from lower pension expense as a result of the performance of the investments in the Company's pension plan and $23 million of lower Y2K remediation expenditures. These decreases were partially offset by an increase of $28 million in incremental merger expenses.

Depreciation and Amortization Expense

Depreciation and amortization expense increased $73 million, or 43%, to $244 million for the nine months ended September 30, 2000 compared to the same 1999 period. As a percentage of revenue, depreciation and amortization expense was 6% as compared to 4% in the comparable prior year period. The increase was primarily attributable to $43 million associated with the commencement of the amortization of $5.26 billion of Competitive Transition Charges in 2000. The increase also included $23 million related to EIS depreciation and amortization expense and $7 million related to increased plant in service.

Taxes Other Than Income

Taxes other than income increased $1 million, or 1%, to $197 million for the nine months ended September 30, 2000 compared to the same 1999 period. As a percentage of revenue, taxes other than income were 4% as compared to 5% in the comparable prior year period. The increase was primarily attributable to a $22 million capital stock tax credit in 1999 related to an adjustment associated with the impact of the 1997 restructuring charge on the Company's equity value. This increase was partially offset by lower real estate taxes of $10 million relating to a change in tax laws for utility property in Pennsylvania and $7 million as a result of the elimination of the gross receipts tax on gas sales partially offset by a net increase in gross receipts tax on electric sales.

Interest Charges

Interest charges increased $25 million, or 8%, to $338 million for the nine months ended September 30, 2000 compared to the same 1999 period. The increase was primarily attributable to interest on the transition bonds of $86 million partially offset by the Company's reduction of long-term debt with the proceeds of transition bonds, which reduced interest charges by $65 million.

Equity in Earnings (Losses) of Unconsolidated Affiliates

Equity in earnings (losses) of unconsolidated affiliates increased $54 million to earnings of $26 million for the nine months ended September 30, 2000 as compared to losses of $28 million in the same 1999 period. The increase was primarily attributable to $61 million of earnings from the Company's equity investment in AmerGen as a result of the acquisitions of TMI and Clinton in December 1999 partially offset by $7 million of increased losses from the Company's telecommunications equity investments principally as a result of costs associated with customer base growth.

Other Income and Deductions

Other income and deductions excluding interest charges and equity in earnings (losses) of unconsolidated affiliates increased $19 million to income of $50 million for the nine months ended September 30, 2000 as compared to $31 million in the same 1999 period. The increase in other income and deductions was primarily attributable to a $15 million write-off in 1999 of the investment in Grays Ferry Cogeneration Partnership in connection with the settlement of litigation, gains on sales of investments of $8 million and $6 million from the favorable settlement of litigation. These increases were partially offset by a decrease in interest income of $9 million.

Income Taxes

The effective tax rate was 37.5% as compared to 37.2% in the comparable prior year period.

Extraordinary Items

The Company incurred extraordinary charges aggregating $4 million, net of tax, consisting of prepayment premiums and the write-off of unamortized deferred financing costs associated with the early retirement of debt with a portion of the proceeds from the issuance of Series 2000-A Transition Bonds in May 2000 during the nine months ended September 30, 2000.

During the second quarter of 1999, the Company incurred an extraordinary charge of $27 million, net of tax, consisting of prepayment premiums and the write-off of unamortized deferred financing costs associated with the early retirement of debt with a portion of the proceeds from the issuance of transition bonds in 1999.

Preferred Stock Dividends

Preferred stock dividends for the nine months ended September 30, 2000 decreased $1 million, or 11%, to $8 million as compared to the same 1999 period. The decrease was attributable to the retirement of $37 million of Mandatorily Redeemable Preferred Stock in August 1999 with a portion of the proceeds from the issuance of transition bonds. In addition, the Company redeemed $19 million of Mandatorily Redeemable Preferred Stock in August 2000.

Earnings

Earnings applicable to common stock increased $67 million, or 15%, to $515 million for the nine months ended September 30, 2000. Earnings per average common share on a fully diluted basis increased $0.71 per share or 32%, to $2.92 per share for the nine months ended September 30, 2000, reflecting the increase in net income and a decrease in the weighted average shares of common stock outstanding as a result of the use of proceeds from the Company's April 1999 and May 2000 stranded cost recovery securitizations.

DISCUSSION OF LIQUIDITY AND CAPITAL RESOURCES

Cash flows provided by operating activities decreased $55 million to $605 million for the nine months ended September 30, 2000 as compared to $660 million in the same 1999 period. The decrease was primarily attributable to a net decrease in changes in working capital of $19 million and less cash generated by operations of $36 million. The decrease in changes in working capital was principally related to improvement in cash collections of Exelon Energy accounts receivable and lower repurchases of accounts receivable with transition bond proceeds partially offset by the timing of cash payments for accrued expenses.

Cash flows used by investing activities were $593 million for the nine months ended September 30, 2000 as compared to $490 million in the same 1999 period. The increase was attributable to capital expenditures and ventures business unit investments, including the acquisition by EIS of four infrastructure services companies partially offset by investments in and advances to joint ventures in 1999.

Cash flows used in financing activities were $71 million for the nine months ended September 30, 2000, as compared to cash flows provided by financing activities of $446 million

in the same 1999 period. The decrease was primarily attributable to the securitization of $4 billion of stranded cost recovery in March 1999 and the use of a portion of the related proceeds partially offset by the securitization of $1 billion of stranded cost recovery in May 2000 and the use of related proceeds.

At September 30, 2000, the Company had outstanding $284 million of notes payable which included $282 million of commercial paper and $2 million of lines of credit. At September 30, 2000, the Company had available formal and informal lines of bank credit aggregating $100 million and available revolving credit facilities aggregating $900 million, which support its commercial paper program. At September 30, 2000, the Company had $2 million in short-term investments.

On May 2, 2000, PECO Energy Transition Trust (PETT), an independent statutory business trust organized under the laws of Delaware and a wholly owned subsidiary of the Company, issued an additional $1 billion aggregate principal amount of transition bonds (Series 2000-A Transition Bonds) to securitize a portion of the Company's authorized stranded cost recovery. As a result, the Company has securitized a total of $5 billion of its $5.26 billion of stranded cost recovery through the issuance by PETT of transition bonds. The transition bonds are solely obligations of PETT, secured by intangible transition property sold by the Company to PETT concurrently with the issuance of the transition bonds and certain other related collateral. The Company has used the proceeds from the securitizations to reduce the Company's stranded costs and related capitalization. The proceeds of the Series 2000-A Transition Bonds were used to repurchase 12 million share of common stock, to retire $422 million principal amount of debt, to repurchase $50 million of accounts receivable and to pay transaction expenses. In connection with the PUC's approval of the issuance of the Series 2000-A Transition Bonds, the Company, through its distribution business unit, agreed to provide its retail customers with rate reductions in the total amount of $60 million beginning on January 1, 2001. This rate reduction will be effective for calendar year 2001 only.

In June 2000, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 138 "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No. 133" (SFAS No. 138). This standard amends the accounting and reporting standards of SFAS No. 133. The Company expects to adopt SFAS No. 133 and SFAS No. 138 on January 1, 2001. The Company initiated a process to implement SFAS No. 133 and SFAS No. 138 by evaluating all of the derivatives of the Company for SFAS No. 133 and SFAS No. 138 implications. This phase of implementation has been completed and the Company is in the process of evaluating the impact of SFAS No. 133 and SFAS No. 138 on its financial statements.

YEAR 2000 READINESS DISCLOSURE

During 1999, the Company successfully addressed, through its Year 2000 Project (Y2K Project), the issue resulting from computer programs using two digits rather than four to define the applicable year and other programming techniques that constrain date calculations or assign special meanings to certain dates.

The current estimated total cost of the Y2K Project is $61 million, the majority of which is attributable to testing. This estimate includes the Company's share of Y2K costs for jointly owned facilities. The total amount expended on the Y2K Project through September 30, 2000 was $58 million. The Company is funding the Y2K Project from operating cash flows.

The Company's systems experienced no Y2K difficulties on December 31, 1999 or since that date. The Company's operations have not, to date, been adversely affected by any Y2K difficulties that suppliers or customers may have experienced. The Company will continue to monitor its systems for potential Y2K difficulties through the remainder of 2000.

For additional information regarding the Y2K Readiness Disclosure see "PART II - ITEM 7. - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - Outlook" in the Company's Annual Report on Form 10-K for the year 1999, as amended by Form 10-K/A filed on April 28, 2000.

FORWARD-LOOKING STATEMENTS

Except for the historical information contained herein, certain of the matters discussed in this Report are forward-looking statements, including the application of the proceeds of the Series 2000-A Transition Bonds and the 2001 rate reduction, and accordingly, are subject to risks and uncertainties. The factors that could cause actual results to differ materially include those discussed herein as well as those listed in notes 7, 8 and 10 of Notes to Condensed Consolidated Financial Statements and other factors discussed in the Company's filings with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Report. The Company undertakes no obligation to publicly release any revision to these forward-looking statements to reflect events or circumstances after the date of this Report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The Company uses a combination of fixed rate and variable rate debt to reduce interest rate exposure. Interest rate swaps are used to adjust exposure when deemed appropriate, based upon market conditions. These strategies attempt to provide and maintain the lowest cost of capital.

In February 2000, the Company entered into forward starting interest rate swaps for a notional amount of $1 billion in anticipation of the issuance of the Series 2000-A Transition Bonds in the second quarter of 2000. On May 2, 2000, the Company settled these forward starting interest rate swaps and paid the counterparties approximately $12 million which was deferred and is being amortized over the life of the Series 2000-A Transition Bonds as an increase in interest expense consistent with the Company's hedge accounting policy.

At September 30, 2000, the Company's interest rate swaps had a fair market value of $78 million which was based on the present value difference between the contracted rate and the market rates at September 30, 2000.

The aggregate fair value of the interest rate swaps that would have resulted from a hypothetical 50 basis point decrease in the spot yield at September 30, 2000 is estimated to be $43 million. If the interest rate swaps had been terminated at September 30, 2000, this estimated fair value represents the amount to be paid by the counterparties to the Company.

The aggregate fair value of the interest rate swaps that would have resulted from a hypothetical 50 basis point increase in the spot yield at September 30, 2000 is estimated to be $112 million. If the interest rate swaps had been terminated at September 30, 2000, this estimated fair value represents the amount to be paid by the counterparties to the Company.

There were no material changes in the nine months ended September 30, 2000 in the Company's quantitative and qualitative disclosures about market risk associated with commodity price risk, equity price risk and interest rate risk associated with variable rate debt from December 31, 1999.

For information on Commodity Risk, Interest Rate Risk and Equity Price Risk, see "PART II, ITEM 7A. - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK," in the Company's 1999 Annual Report on Form 10-K as amended by Form 10-K/A filed on April 28, 2000.

PART II - OTHER INFORMATION

ITEM 5. OTHER INFORMATION

On October 18, 2000, the Company filed a Competitive Default Service (CDS) Coordination Agreement with the PUC, pursuant to which the Company will assign to NewPower Company (NewPower), 299,300 randomly selected residential non-shopping customers. Customers who have been assigned may chose not to participate in CDS or may, without charge or penalty, return to the Company's provider of last resort service or switch to another electric generation supplier (EGS). The Company and NewPower have filed a joint petition requesting PUC approval by November 1, 2000. The joint petition also requests PUC confirmation that all 299,300 customers assigned to CDS would be included in calculating the 35% market share threshold requirement contained in the Company's Final Restructuring Order. Under the market share threshold requirement, if less than 35% of the Company's residential and commercial customers have chosen an EGS by January 1, 2001, the number of customers sufficient to meet the required threshold level will be randomly selected and assigned to an EGS through a PUC-determined process. The Company does not expect that the CDS Coordination Agreement will have a material adverse effect on the Company's operations or financial condition.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

2-1 - Amended and Restated Agreement and Plan of Merger dated as of October 10, 2000, among PECO Energy Company, Exelon Corporation and Unicom Corporation. (Incorporated by reference from the September 30, 2000 PECO Energy Company Form 10-Q.)

10-1 - Stock Purchase Agreement among Exelon (Fossil) Holdings, Inc., as Buyer, and The Stockholders of Sithe Energies, Inc., as Sellers, and Sithe Energies, Inc. (Incorporated by reference from the September 30, 2000 PECO Energy Company Form 10-Q.)

10-2 - Amended and Restated Employment Agreement among Unicom Corporation, Commonwealth Edison Company and John W. Rowe.

27 - Financial Data Schedule.

99-1 - Unicom Corporation Quarterly Report as of September 30, 2000.

(b) During the quarter ended September 30, 2000, the Company filed the following Current Reports on Form 8-K:

Exelon Corporation:

None

PECO Energy Company:

Date of earliest event reported:
August 8, 2000 reporting information under "ITEM 5. OTHER EVENTS" regarding the sale of GPU, Inc.'s Oyster Creek Nuclear Generating Facility to AmerGen.

Date of earliest event reported:
August 14, 2000 reporting information under "ITEM 5. OTHER EVENTS" regarding the purchase of 49.9% of Sithe Energies North America's outstanding common stock.

Date of earliest event reported:
August 15, 2000 reporting information under "ITEM 5. OTHER EVENTS" regarding presentation/webcast to financial analysts and other interested parties on the Sithe Energies Investment.

Subsequent to September 30, 2000, the Company filed the following Current Reports on Form 8-K:

Exelon Corporation:

Date of earliest event reported:
October 20, 2000 reporting information under "ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS" regarding the completion of the merger among PECO Energy and Unicom into Exelon. The financial information required by "ITEM 7. FINANCIAL STATEMENT, PRO FORM FINANCIAL INFORMATION AND EXHIBITS" will be filed by Amendment within 60 days of the date of this filing.

Date of earliest event reported:
October 30, 2000 reporting information under "ITEM 5. OTHER EVENTS" regarding a presentation at the Edison Electric Institute Fall Financial Conference to explain the merger of PECO Energy and Unicom to form Exelon.

PECO Energy Company:

Date of earliest event reported:
October 19, 2000 reporting information under "ITEM 5. OTHER EVENTS" regarding the approval by the Securities and Exchange Commission of the merger between the Company and Unicom into Exelon Corporation.

Date of earliest event reported:
October 20, 2000 reporting information under "ITEM 5. OTHER EVENTS" regarding the completion of the merger between the Company and Unicom into Exelon Corporation.

Date of earliest event reported:
October 24, 2000 reporting information under "ITEM 5. OTHER EVENTS" regarding the Company's earnings release for the third quarter of 2000.

Signatures

Pursuant to 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.

EXELON CORPORATION

/s/ Ruth Ann M. Gillis

RUTH ANN M. GILLIS
Senior Vice President and
Chief Financial Officer
(Chief Accounting Officer)

Date: November 13, 2000

AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

among

UNICOM CORPORATION,

COMMONWEALTH EDISON COMPANY

and

JOHN W. ROWE

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the "Agreement"), dated as of December 15, 1999 (the "Agreement Date"), by and among Unicom Corporation, an Illinois corporation ("Unicom"), Commonwealth Edison Company, an Illinois corporation ("ComEd"), and John W. Rowe ("Executive"), amends and restates, to be effective immediately prior to the Merger Effective Time (as defined below), that certain Employment Agreement dated as of March 10, 1998, as heretofore and as hereafter otherwise amended prior to the Merger Effective Time (the "Prior Agreement"), by and among Unicom, ComEd and Executive.

WHEREAS, Executive is currently serving as Chairman of the Unicom Board and the ComEd Board, President and Chief Executive Officer of both Unicom and ComEd and a member of the Unicom Board and the ComEd Board;

WHEREAS, Peco Energy Company, a Pennsylvania corporation ("Parent"), Newholdco Corporation, a Pennsylvania corporation (the "Company") and Unicom have executed an Agreement and Plan of Exchange and Merger, dated as of September 22, 1999 (the "Merger Agreement"), which contemplates that Parent shall become a wholly owned subsidiary of the Company and immediately thereafter Unicom will be merged with and into the Company (the "Merger"), which Merger will become effective at the Merger Effective Time (as defined in the Merger Agreement);

WHEREAS, as contemplated by the Merger Agreement, the Company will be the surviving corporation in the Merger and, as such, will by operation of law succeed to the rights and obligations of Unicom hereunder;

WHEREAS, in order to induce Executive to serve, on and after the Merger Effective Time, as President and Co-Chief Executive Officer of the Company (as the surviving entity in the Merger and as successor to Unicom at the Merger Effective Time), and Chairman of the Executive Committee of the Company Board and other positions as provided in this Agreement, Unicom desires from and after the Merger Effective Time to provide Executive with compensation and other benefits on the terms and conditions set forth in this Agreement; and

WHEREAS, Executive is willing to accept such employment and perform such services on the terms and conditions hereunder set forth;

NOW, THEREFORE, in consideration of the mutual undertakings of the parties hereto, Unicom, ComEd and Executive agree as follows:

ARTICLE I.
DEFINITIONS

The terms set forth below have the following meanings (such meanings to be applicable to both the singular and plural forms):

I.1 "Accrued Base Salary" means that portion of Executive's Base Salary which is accrued but unpaid as of the Termination Date.

I.2 "Accrued Annual Incentive" means either:

(1) the amount of any Annual Incentive earned with respect to the calendar year ended prior to the Termination Date, but which is unpaid as of the Termination Date, if both (x) the amount of such Annual Incentive has been objectively determined solely by the application of a formula that does not provide the Company, Unicom or any Company Affiliate any discretion to increase the amount of the Annual Incentive and (y) neither the Company, Unicom nor any Company Affiliate has applied any discretion it may have pursuant to the Annual Incentive Award Program in which Executive participates or otherwise to reduce the amount of such Annual Incentive or,

(2) if the conditions specified in clause (i) of this sentence have not been satisfied, the average of the Annual Incentives that were actually paid to Executive with respect to Executive's last three full calendar years of employment by the Company, Unicom or any Company Affiliate.

For purposes of clause (ii) of the preceding sentence, if Annual Incentives have been paid to Executive in respect of fewer than three years, such average shall be computed by reference to the Annual Incentives that were actually paid to Executive.

I.3 "Affiliate" means, when used with reference to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, the referent Person or such other Person, as the case may be. For the purposes of this definition, the term "control" when used 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.

I.4 "Agreement Date" -- see the recitals to this Agreement.

I.5 "Anniversary Date" means any annual anniversary of March 16, 1998.

I.6 "Annual Incentive" -- see Section 4.2.

I.7 "Base Salary" -- see Section 4.1.

I.8 "Beneficiary" -- see Section 10.4.

I.9 "Cause" means any of the following:

(1) Executive's conviction of a felony or of a misdemeanor involving moral turpitude, fraud or dishonesty,

(2) wilful misconduct by Executive in the performance of his duties under this Agreement that was intended to personally benefit Executive, or

(3) material breach of this Agreement by Executive (other than as a result of incapacity due to physical or mental illness);

provided that, if a material breach of this Agreement involved an act, or a failure to act, which was done, or omitted to be done, by Executive in good faith and with a reasonable belief that Executive's act, or failure to act, was in the best interest of the Company or was required by applicable law or administrative regulation, such breach shall not constitute Cause if, within 30 days (10 days in the event of a breach of covenants contained in Article IX) after Executive is given written notice of such breach that specifically refers to this Section, Executive cures such breach to the fullest extent that it is curable.

I.10 "Change in Control" means any one or more of the following to occur after the Merger Effective Time:

(1) the acquisition by any Person (including for purposes of this definition any "person" within the meaning of Section 13(d) (3) or 14(d) (2) of the Exchange Act) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (i) the then outstanding shares of Common Stock (the "Outstanding Common Stock") or (ii) the combined voting power of the then-outstanding Voting Securities of the Company (the "Outstanding Voting Securities"), but excluding (A) 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), (B) any acquisition by the Company, (C) 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 (D) 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 (B), if any Person (other than the Company or any Company Plan) shall become the beneficial owner of 20% or more of the Outstanding Common Stock or 20% or more of the Outstanding Voting Securities by reason of an acquisition by the Company, and such Person shall, after such acquisition by the Company, become the beneficial owner of any additional shares of the Outstanding Common Stock or any additional Outstanding Voting Securities (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;

(2) individuals who, as of the Merger Effective Time, constitute the Company Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Incumbent Board; provided that any individual who becomes a director of the Company subsequent to the Merger Effective Time whose election, or nomination for election by the Company's stockholders, was approved by the vote of at least a majority of the directors then comprising the Incumbent Board shall be deemed a member of the Incumbent Board; and provided further, that any individual who was initially elected as a director of the Company 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 any other actual or threatened solicitation of proxies or consents by or on behalf of any Person other than the Company Board shall not be deemed a member of the Incumbent Board;

(3) approval by the stockholders of the Company of a reorganization, merger or consolidation or 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:

(1) all or substantially all of the individuals or entities who are the beneficial owners, respectively, of the Outstanding Common Stock and the Outstanding Voting Securities immediately prior to such Corporate Transaction will beneficially own, directly or indirectly, more than 60% of, respectively, the outstanding shares of common stock, and the combined voting power of the outstanding Voting Securities of such corporation, as the case may be, of the corporation resulting from such Corporate Transaction (including a corporation which as a result of such transaction owns the Company or all or substantially all of its assets either directly or indirectly) in substantially the same proportions relative to each other as their ownership, immediately prior to such Corporate Transaction, of the Outstanding Common Stock and the Outstanding Voting Securities, as the case may be;

(2) no Person (other than the Company; any Company Plan; 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 or the Outstanding Voting Securities, as the case may be) will beneficially own, directly or indirectly, 20% or more of, respectively, the outstanding shares of common stock of the corporation resulting from such Corporate Transaction or the combined voting power of the outstanding Voting Securities of such corporation;

(3) 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; and

(4) Executive shall be appointed or elected to positions in respect of the corporation resulting from such Corporate Transaction that are comparable to the positions held by Executive pursuant to Section 2.1 immediately prior to the Corporate Transaction; or

(4) approval by the stockholders of the Company 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 the assets of the Company by its Affiliates.

I.11 "ComEd" -- see the recitals to this Agreement.

I.12 "Common Stock" means common stock, without par value, of the Company.

I.13 "Commencement Date" -- see Section 3.1.

I.14 "Company" -- see the recitals to this Agreement.

I.15 "Company Board" means the Board of Directors of the Company.

I.16 "Compensation Committee" means the Compensation Committee of the Company Board, or any successor committee thereto.

I.17 "Confidential Information" means any information not generally known in the relevant trade or industry, which was obtained from the Company, Unicom or any Company Affiliate, or which was learned, discovered, developed, conceived, originated or prepared during or as a result of the performance of any services by Executive on behalf of the Company, Unicom or any Company Affiliate and which:

(1) relates to one or more of the following:

(1) trade secrets of the Company or an Affiliate thereof or any customer or supplier of the Company or an Affiliate thereof;

(2) existing or contemplated products, services, technology, designs, processes, formulae, algorithms, research or product developments of the Company or an Affiliate thereof or any customer or supplier of the Company or an Affiliate thereof;

(3) business plans, sales or marketing methods, methods of doing business, customer lists, customer usages and/or requirements, supplier information of the Company or an Affiliate thereof or any customer or supplier of the Company or an Affiliate thereof; or

(2) the Company or an Affiliate thereof or any customer or supplier of the Company or an Affiliate thereof may reasonably have the right to protect by patent, copyright or by keeping it secret and confidential.

Confidential Information does not include any information that is or may become publicly known other than through the improper actions of Executive.

I.18 "Contract Term" -- see Section 3.1.

I.19 "Disability" means a mental or physical condition which, in the opinion of the Company Board, renders Executive unable or incompetent to carry out the job responsibilities which such Executive held or the duties to which Executive was assigned at the time the disability was incurred, which has existed for at least three months and which in the opinion of a physician

mutually agreed upon by the Company and Executive (provided that neither party shall unreasonably withhold or delay such agreement) is expected to be permanent or to last for an indefinite duration or a duration in excess of six months.

I.20 "Early Retirement" means a Termination of Employment by Executive on or after March 16, 2003, other than a Normal Retirement or a Termination for Good Reason prior to Normal Retirement.

I.21 "Exchange Act" means the Securities Exchange Act of 1934.

I.22 "Executive" -- see the recitals to this Agreement.

I.23 "Formula Annual Incentive" means the greater of (i) the Annual Incentive for the latest calendar year ended on or before the Termination Date, or (ii) the average of the Annual Incentives that were actually paid (or would have been paid in respect of the year preceding the Termination Date but for a termination of Executive's employment after the end of such preceding year) to Executive with respect to Executive's last three full calendar years of employment by the Company, Unicom or any Affiliate of the Company. For purposes of clause (ii) of the preceding sentence, if Annual Incentives have been paid to Executive in respect of fewer than three years, such average shall be computed by reference to the Annual Incentives that were actually paid to Executive.

I.24 "Good Reason" means any material breach of this Agreement by the Company, including:

(1) a failure to provide the compensation and benefits required by this Agreement, including a reduction in the Base Salary of Executive below the Base Salary in effect during the immediately preceding year under this Agreement or, where applicable, the Prior Agreement, unless such reduction is commensurate with and part of a general salary reduction program applicable to all senior executives of the Company;

(2) failure to appoint or elect Executive (i) for the period beginning at the Merger Effective Time and continuing until the last day of the first half of the Transition Period, the President and Co-Chief Executive Officer of the Company, the Chairman of the Executive Committee of the Company Board and as a member of the Company Board, (ii) for the period beginning at the commencement of the last half of the Transition Period and continuing until the last day of the Transition Period, the Co-Chief Executive Officer of the Company, the Chairman of the Company Board and a member of the Company Board, and (iii) for the period commencing immediately prior to the end of the Transition Period and continuing after the Transition Period, the sole Chief Executive Officer of the Company, Chairman of the Company Board and a member of the Company Board; except that, in the event that prior to the end of the Transition Period Corbin A. McNeill, Jr. should cease to serve as Co-Chief Executive Officer of the Company, or prior to the end of the first half of the Transition Period as Chairman of the Company Board, "Good Reason" under this subsection (b) shall also include failure to immediately appoint or elect Executive as sole Chief Executive Officer and/or Chairman of the Company Board, as applicable;

(3) causing or requiring Executive to report to any Person or group other than the Company Board;

(4) any material adverse change in the status, responsibilities or perquisites of Executive; or

(5) any public announcement by the Company Board that it is seeking a replacement for Executive, which announcement is made prior to Executive's attaining age 60, unless Executive has consented to such announcement;

provided, however, that an act or omission shall not constitute a material breach of this Agreement by the Company:

(1) unless Executive gives the Company 30 days' prior notice of such act or omission and the Company fails to cure such act or omission within the 30-day period;

(2) if Executive first acquired actual knowledge of such act or omission more than 12 months before Executive gives the Company such notice; or

(3) if Executive has consented in writing to such act or omission in a document that makes specific reference to this Section.

I.25 "Initial Term" shall mean the period, if any, beginning at the Merger Effective Time and ending on March 15, 2001.

I.26 "including" means including without limitation.

I.27 "Key Employee" means any employee of the Company who is Group Level 12 or above ("Group Level") or any employee of any Affiliate of the Company who is at a level which is the equivalent of Group Level.

I.28 "LTIP" means the Company's Long-Term Incentive Plan.

I.29 "Merger" -- see the recitals to this Agreement.

I.30 "Merger Effective Time" -- see the recitals to this Agreement.

I.31 "Normal Retirement" means a Termination of Employment by Executive either (i) on or after March 16, 2006 or (ii) on or after March 16, 2003 if the Company Board shall have determined with the written consent of the Executive that such Termination shall constitute Normal Retirement for purposes of this Agreement.

I.32 "Option" means an option to purchase shares of Common Stock pursuant to the terms and conditions of either this Agreement and the LTIP (or any successor plan) or the Prior Agreement and the Unicom Long-Term Incentive Plan.

I.33 "Option Expiration Date" means, with respect to a specific Option, the expiration date of such Option as specified in the grant agreement or the plan (as applicable) relating thereto.

I.34 "Parent" -- see the recitals to this Agreement.

I.35 "Performance Unit Program" means Unicom's Long Term Performance Unit Award Program, or any successor program maintained by the Company.

I.36 "Person" means any individual, sole proprietorship, partnership, limited liability company, joint venture, trust, unincorporated organization, association, corporation, institution, entity or government (whether federal, state, county, municipal or otherwise).

I.37 "Post-Retirement Health Care Coverage" means the medical, dental and vision care coverage provided by the Company or Unicom from time to time to its retired senior executives who retired at or after March 10, 1998.

I.38 "Practices" means practices, policies and programs.

I.39 "Prior Agreement" -- see the recitals to this Agreement.

I.40 "Prorated Annual Incentive" means, in respect of the calendar year during which the Termination Date occurs, an amount equal to the product of the Formula Annual Incentive multiplied by a fraction, the numerator of which equals the number of days between January 1 of such calendar year and the Termination Date and the denominator of which equals 365.

I.41 "SERP Benefit" -- see Section 6.2(a).

I.42 "Service Annuity System" means the Commonwealth Edison Company Service Annuity System.

I.43 "Severance Period" means the period that commences on the Termination Date and ends two years after the Termination Date; provided, however, that if (i) the Termination Date occurs at any time prior to December 31, 2004, (ii) the Termination Date occurs within the first 24 months after a Change in Control, or (iii) the Termination Date occurs at any time because of a Termination for Good Reason within the meaning of Section 1.24(b), the Severance Period shall end three years after the Termination Date.

I.44 "Supplemental Retirement Plan" means the Commonwealth Edison Company Supplemental Management Retirement Plan.

I.45 "Taxes" means federal, state, local or other income, employment or other taxes.

I.46 "Termination Date" means the date as of which Executive's employment with the Company and all Affiliates thereof is terminated by the Company or by Executive for any reason.

I.47 "Termination for Good Reason" means a Termination of Employment by Executive for Good Reason.

I.48 "Termination of Employment" occurs on the first day on which Executive is for any reason no longer employed by the Company or any Affiliate thereof.

I.49 "Termination Without Cause" means a termination of Executive's employment by the Company and all Affiliates thereof for any reason other than Cause or Disability.

I.50 "Transition Period" means the period beginning at the Merger Effective Time and ending on December 31, 2003.

I.51 "Unicom" -- see the recitals to this Agreement.

I.52 "Voting Securities" means, with respect to a corporation, the securities of such corporation entitled to vote generally in the election of the directors of such corporation.

ARTICLE II.
DUTIES

II.1 Duties. During the Contract Term, (a) for the period beginning at the Merger Effective Time and continuing until the last day of the first half of the Transition Period, Executive shall be the President and Co-Chief Executive Officer of the Company, the Chairman of the Executive Committee of the Company Board, and a member of the Company Board, (b) for the period beginning at the commencement of the last half of the Transition Period and continuing until the last day of the Transition Period, Executive shall be the Co-Chief Executive Officer of the Company, the Chairman of the Company Board and a member of the Company Board, and (c) for the period commencing immediately prior to the end of the Transition Period and continuing after the Transition Period, Executive shall be sole Chief Executive Officer of the Company, Chairman of the Company Board and a member of the Company Board. In the event, however, that prior to the end of the Transition Period Corbin A. McNeill, Jr. should cease during the Contract Term to serve as Co-Chief Executive Officer of the Company, Executive shall immediately be sole Chief Executive Officer of the Company, and if Corbin A. McNeill, Jr. should cease to serve during the Contract Term as Chairman of the Company Board prior to the end of the first half of the Transition Period, Executive shall immediately become Chairman of the Company Board. It is contemplated that, in connection with each annual meeting of shareholders (or action by written consent in lieu thereof) of the Company during the Contract Term, the shareholders of the Company will elect Executive to the Company Board. During the Contract Term (excluding any periods of vacation, sick leave or disability to which Executive is entitled), Executive (subject to Section 2.2) shall devote his full attention and time to the business and affairs of the Company and use his best efforts to perform his duties and responsibilities described herein.

II.2 Other Activities. Executive may (a) serve on corporate, civic or charitable boards or committees, (b) fulfill speaking engagements or teach at educational institutions or (c) manage

personal investments, in each case to the extent that such activities do not materially interfere with the performance of his duties under this Agreement.

ARTICLE III.
TERM OF AGREEMENT

III.1 Term. The term of this Agreement (the "Contract Term") shall begin at the Merger Effective Time (the "Commencement Date") and shall continue in effect until the Termination Date.

ARTICLE IV.
COMPENSATION

IV.1 Base Salary. During any portion of the Contract Term consisting of the Initial Term, the Company shall pay Executive in accordance with its normal payroll practices an annual salary (the "Base Salary") of at least $900,000 but not less than either Executive's annual salary under the Prior Agreement immediately prior to the Merger Effective Time or the annual salary of the other Co-Chief Executive Officer, if any, of the Company. After the expiration of the Initial Term, the Base Salary shall be reviewed at least annually and may be adjusted at any time and from time to time as shall be determined by the Compensation Committee, except that during the Transition Period Executive's Base Salary shall not be less than the annual salary of the other Co-Chief Executive Officer, if any, of the Company. Any increase in Base Salary shall not limit or reduce any other obligation to Executive under this Agreement.

IV.2 Annual Incentive. During the Contract Term, Executive shall participate in the Company's Annual Incentive Award Program and shall be eligible to receive an annual incentive award in accordance with the terms and conditions thereof and on the same basis as other senior executives of the Company, except that during the Transition Period such award shall not be less than that of the other Co-Chief Executive Officer, if any, of the Company. Executive shall continue to participate in the Unicom Annual Incentive Award Program in accordance with the terms and conditions thereof with respect to annual incentive awards (collectively with annual incentive awards granted under the Company's Annual Incentive Award Program, "Annual Incentive") granted prior to the Merger Effective Time.

IV.3 Long-Term Incentives. Effective as of the Commencement Date, Executive shall participate in the Company's LTIP and in any Performance Unit Program in accordance with the terms and conditions thereof and on the same basis as other senior executives of the Company, except that during the Transition Period such participation shall be on a basis that is not less than that of the other Co-Chief Executive Officer, if any, of the Company. Executive shall continue to participate in the Performance Unit Program in accordance with the terms and conditions thereof with respect to performance cycles in effect as of the Merger Effective Time. In addition, any award payable to Executive under the Performance Unit Program with respect to the three-year performance period ending on December 31, 2000 will be made as though Executive had participated in such Program throughout such performance period (except in the event of a Termination of Employment, in which case the provisions of the Performance Unit Program shall apply).

IV.4 Deferred Stock and Additional Option.

(1) Deferred Stock. Pursuant to the Prior Agreement, effective on the date in 1999 on which Executive's Annual Incentive with respect to 1998 first became payable pursuant to Section 4.3 of the Prior Agreement (the "Grant Date"), Unicom granted to Executive a right to receive, on the Payment Date (as defined in the last sentence of Section 4.4(b)), a number of shares of Common Stock of Unicom (the "Deferred Shares") equal to the sum of:

(1) a number of shares (the "Initial Deferred Shares") equal to $600,000 divided by 100% of the fair market value (determined in accordance with the Unicom Long-Term Incentive Plan or any applicable successor plan (the "Fair Market Value")) of a share of the Common Stock of Unicom on the Grant Date (such price, the "Grant Price"), and

(2) the aggregate number of shares of such Common Stock that would be issued from time to time if all dividends (other than dividends payable in such Common Stock) payable in respect of the Initial Deferred Shares were reinvested in additional shares of such Common Stock (assuming for this purposes that the Initial Deferred Shares were outstanding throughout the period beginning on the Grant Date and ending on the Payment Date) based on the Fair Market Value of such Common Stock as of the applicable dividend payment date.

Such Deferred Shares shall be payable as provided in this Section 4.4; provided, however, that the aggregate number and kind of Deferred Shares shall from time to time be equitably adjusted to prevent any material dilution or enlargement of the aggregate value of the Deferred Shares that may otherwise occur by reason of a change in the number or kind of outstanding shares of Unicom Common Stock or of Common Stock resulting from any recapitalization, reorganization, merger, consolidation, stock split, stock dividend or any similar change affecting such Common Stock (other than a dividend which is deemed to have been reinvested pursuant to clause (ii) of this Section 4.4(a)), including the Merger.

(2) Vesting. The Deferred Shares shall vest as follows: as to 50% of the Deferred Shares specified in clause (i) of Section 4.4(a), on the Grant Date, and as to all remaining Deferred Shares (the "Unvested Deferred Shares") on the date in 2000 on which Executive's Annual Incentive with respect to 1999 first becomes payable pursuant to Section 4.3 of the Prior Agreement (the "Year 2000 Bonus Date") . On or before the fifth business day following Executive's Termination Date (such day, the "Payment Date"), the Company shall deliver to Executive a number of shares of Common Stock equal to the number of Deferred Shares that have become vested on or before the Termination Date.

(3) Effect on SERP Benefit. Solely for purposes of determining the amount of Executive's SERP Benefit pursuant to Section 6.2, Executive's Annual Incentive with respect to each of 1998 and 1999 under the Prior Agreement shall be deemed to have been $300,000 greater than the Annual Incentive actually paid to Executive in respect of such year.

(4) Additional Option. Effective as of the Grant Date, Unicom granted to Executive an Option (the "Additional Option") with an exercise price equal to the Grant Price and subject to such other terms and conditions as are applicable to other stock options granted to senior executives of Unicom under the Unicom Long-Term Incentive Plan. The Additional Option shall be exercisable during its term as follows: (i) as to 50% of the shares subject thereto, at any time on or after the Grant Date, and (ii) as to all of the other shares subject thereto (the "Unvested Option Shares"), at any time on or after the Year 2000 Bonus Date.

ARTICLE V.
OPTION GRANTS

V.1 Initial Grant. On March 16, 1998, Unicom granted to Executive an Option to purchase 250,000 shares of Unicom Common Stock. Subject to the provisions of Article VII and Article VIII, such Option shall become exercisable in equal installments on each of the three first Anniversary Dates and shall thereafter remain exercisable until the 10th Anniversary Date. The option price of such Option equaled 100% of the fair market value of Unicom's Common Stock as of March 16, 1998 as determined by the Compensation Committee of the Unicom Board.

V.2 Future Grants. As of the Merger Effective Time, the Compensation Committee shall in its discretion consider Executive for a grant of Options under the LTIP, but such grant shall be in an amount which is not less than the Options granted as of the Merger Effective Time to the other Co-Chief Executive Officer, if any, of the Company. In addition, during the Contract Term, the Compensation Committee shall in its discretion consider Executive for possible future annual or other grants of Options under the LTIP on the same date or dates and on the same basis as other senior executives of the Company, except that during the Transition Period such grants shall be in amounts which are not less than those granted to the other Co-Chief Executive Officer, if any, of the Company. Subject to the provisions of Article VII and Article VIII, Options granted to Executive under the Unicom Long-Term Incentive Plan prior to the Merger Effective Time shall become exercisable in accordance with their terms and the terms of the Unicom Long-Term Incentive Plan.

ARTICLE VI.
OTHER BENEFITS

VI.1 Savings and Other Plans. During the Contract Term, Executive shall be entitled to participate in all savings, deferred compensation and retirement plans which are or may hereafter become generally available to senior executives of the Company (subject to the eligibility requirements of such plans, except as such eligibility requirements are modified by the provisions of Article IV and this Article VI), except that during the Transition Period such participation shall be on terms no less favorable than those available to the other Co-Chief Executive Officer, if any, of the Company.

VI.2 Retirement Benefits.

(1) Upon the first to occur of Executive's Early Retirement or Normal Retirement, a Termination Without Cause, a Termination for Good Reason, a Termination of Employment by reason of death or Disability or a Termination of Employment by the Executive for any other reason on or after the first anniversary of the Commencement Date (any of the foregoing, a "SERP Payment Event"), Executive (or, in the event of his death, his surviving spouse) shall thereafter receive a retirement benefit (the "SERP Benefit") determined pursuant to Section 6.2(b).

(2) The SERP Benefit to be provided to Executive during any year shall equal an amount which, when added to all other retirement benefits provided to Executive by the Company and its Affiliates during such year (including payments under the Service Annuity System, the Supplemental Retirement Plan, any Social Security supplement paid by ComEd until Executive attains age 65, any retirement benefit paid pursuant to Section 8.4, and any other sources) results an aggregate annual retirement benefit equal to the annual retirement benefit that would have been payable under the Service Annuity System (including under the Supplemental Retirement Plan) as in effect on the March 10, 1998, calculated as though Executive had:

(1) retired at age 60 (or, if greater, his attained age upon the first SERP Payment Event), and

(2) accrued 20 years of service on March 16, 1998 and one additional year of service on each Anniversary Date occurring on or before the Termination Date;

provided, however, that in no event shall any SERP Benefit be payable:

(A) during the Severance Period if either Section 7.3 or 8.3 is applicable,

(B) in the event that, before the first SERP Payment Event, Executive shall have received a Notice of Consideration (as defined in Section 7.1(b)(i)) and his employment is subsequently terminated by the Company for Cause, or

(C) in the event of any Termination of Employment other than in connection with a SERP Payment Event.

In addition, Executive's right to receive the SERP Benefit shall be subject to Section 7.7.

(3) Executive shall have the option to receive the SERP Benefit (i) as a lump-sum amount, payable within 30 days after Termination of Employment notwithstanding the provisions of Section 6.2(b)(A), (ii) as a regular life annuity, or (iii) as a joint and survivor marital annuity (to be appropriately adjusted in accordance with the provisions of the Service Annuity System). In the event of Executive's death during his employment by the Company, his spouse will immediately become entitled to a surviving spouse benefit.

VI.3 Welfare Benefits. During the Contract Term, Executive (and his family) shall be eligible to participate in and shall receive benefits under all welfare benefit plans and Practices provided by the Company (including medical, prescription, dental, vision care, disability, salary

continuance, employee life, group life, dependent life, accidental death and travel accident insurance plans and programs) generally available to senior executives of the Company; provided, however, that the Company shall provide at no cost to Executive an amount of term life insurance coverage that, when added to the coverage available at no cost to Executive under the Company's group or employee life plans or programs, equals three times his Base Salary. During the Transition Period participation in such welfare benefit plans and Practices shall be on terms no less favorable than those available to the other Co-Chief Executive Officer, if any, of the Company.

VI.4 Employee Benefits. During the Contract Term, Executive shall be entitled to employee benefits generally available to other senior executives of the Company, including financial planning and tax planning services, except that during the Transition Period such employee benefits available to Executive shall be no less favorable than those available to the other Co-Chief Executive Officer, if any, of the Company.

VI.5 Time Off. During each year of the Contract Term, Executive shall be entitled to 30 "paid time off" days in accordance with the PTO policy applicable to senior executives of the Company, except that during the Transition Period such amount shall not be less than the days applicable to the other Co-Chief Executive Officer, if any, of the Company.

VI.6 Expenses. During the Contract Term, Executive shall be entitled to receive prompt reimbursement for all of his reasonable employment-related expenses upon the Company's receipt of accounting in accordance with Practices applicable to senior executives of the Company, except that during the Transition Period such Practices shall not be less favorable than those applicable to the other Co-Chief Executive Officer, if any, of the Company.

VI.7 Office; Support Staff. During the Contract Term, Executive shall be entitled to an office of a size and with furnishings and other appointments, and to personal secretarial and other assistance, as is appropriate to the positions being assumed by Executive, but in no event less than those provided to other senior executives of the Company or to the other Co-Chief Executive Officer, if any, of the Company.

ARTICLE VII.
TERMINATION BENEFITS

VII.1 Termination for Cause or Other Than for Good Reason, Retirement, Death or Disability.

(1) If, whether before or after the end of the Initial Term, Executive's employment is terminated by the Company for Cause or by Executive for any reason other than Good Reason, death, Disability, Early Retirement or Normal Retirement, then:

(1) the Company shall within 10 days after the Termination Date pay Executive his Accrued Base Salary and Accrued Annual Incentive;

(2) all of Executive's Options (whether or not then exercisable) shall expire on the Termination Date; and

(3) any Performance Unit Program award that has not yet become payable in accordance with the terms and conditions thereof shall be forfeited.

(2) The Company may not terminate Executive's employment for Cause unless:

(1) no fewer than 30 days prior to the Termination Date, the Company provides Executive with written notice of its intent to consider a termination of employment for Cause that states the proposed Termination Date and includes a detailed description of the specific reasons which form the basis for such consideration (the "Notice of Consideration");

(2) during a period of not fewer than 15 days after the date Notice of Consideration is provided, Executive shall have the opportunity to appear before the Company Board, with legal representation if he so elects, to present arguments on his own behalf; and

(3) following the presentation to the Company Board as provided in clause (ii) above, Executive shall be terminated for Cause only if (x) not less than 60% of the members of the Company Board (other than Executive if Executive is a member of the Company Board, or any other member of the Company Board alleged to be involved in the events that form the basis of the proposed termination for Cause) determines that the actions of Executive constituted Cause and that his employment should accordingly be terminated for Cause; and (y) the Company Board provides Executive with a written determination setting forth the basis of such termination of employment which shall be consistent with the reasons set forth in the Notice of Consideration.

(3) After providing Notice of Consideration to Executive, the Company Board may suspend Executive with pay pending a final determination pursuant to this Section.

VII.2 Termination for Death or Disability. If Executive's employment terminates due to death or Disability:

(1) the Company shall pay to Executive, his Beneficiaries or his estate, as the case may be, immediately after the Termination Date an amount which is equal to the sum of his Accrued Base Salary, Accrued Annual Incentive and Prorated Annual Incentive; and

(2) each of Executive's Options (including any Options not then exercisable) shall be fully exercisable and shall remain exercisable until the applicable Option Expiration Date.

VII.3 Termination Without Cause or for Good Reason. Except as otherwise provided in Section 8.3, in the event of a Termination Without Cause or a Termination for Good Reason:

(1) Executive shall receive a lump sum equal to his Accrued Base Salary, Accrued Annual Incentive, and Prorated Annual Incentive;

(2) Executive shall receive for the duration of the Severance Period,

(1) periodic payments in accordance with the Company's normal payroll practices and in amounts equal to his Base Salary in effect under this Agreement or, where applicable, the Prior Agreement during the calendar year preceding the Termination Date and, for each year during the Severance Period, the Formula Annual Incentive, and

(2) a continuation of the benefits described in Section 6.3 to which Executive and his family are entitled as of the Termination Date (or, if such benefits are not available, the economic equivalent thereof);

(3) each of Executive's Options that is exercisable on the Termination Date shall remain exercisable until the applicable Option Expiration Date;

(4) each of Executive's Options that has not yet become exercisable as of the Termination Date shall become exercisable during the Severance Period at such times and in such amounts (if any) as if Executive had remained employed by the Company throughout the Severance Period and, after becoming so exercisable, shall remain exercisable until the applicable Option Expiration Date; and

(5) any of Executive's Options that remain unexercisable at the end of the Severance Period shall be forfeited.

VII.4 Termination Upon Normal Retirement. If Executive's employment terminates due to Normal Retirement:

(1) Executive shall receive a lump sum equal to his Accrued Base Salary, Accrued Annual Incentive, and Prorated Annual Incentive;

(2) each of Executive's Options that is exercisable on the Termination Date shall remain exercisable until the applicable Option Expiration Date; and

(3) each of Executive's Options that has not yet become exercisable as of the Termination Date shall become exercisable after Executive's retirement at such times and in such amounts as if Executive had remained employed by the Company following his retirement and, after becoming so exercisable, shall remain exercisable until the applicable Option Expiration Date.

VII.5 Termination Upon Early Retirement. If Executive's employment terminates due to Early Retirement:

(1) Executive shall receive a lump sum equal to his Accrued Base Salary, Accrued Annual Incentive, and Prorated Annual Incentive;

(2) each of Executive's Options that is exercisable on the Termination Date shall remain exercisable until the later to occur of (i) the end of the period that is applicable under such circumstances pursuant to the form of grant agreement in general use for grants to

senior executives at the time such Option was granted or (ii) 90 days after the Termination Date, but in no event after the applicable Option Expiration Date; and

(3) each of Executive's Options that has not yet become exercisable as of the Termination Date shall expire on the Termination Date.

VII.6 Post-Retirement Health Care Coverage. In the event of any Termination of Employment on account of death, Disability, Early Retirement, Normal Retirement, by Executive for Good Reason or by the Company without Cause, Executive and his spouse shall each be entitled to Post-Retirement Health Care Coverage for the remainder of their respective lives. Such coverage shall not duplicate any benefits that may then be available to Executive and his spouse under Section 6.3 and shall be secondary to any coverage provided by any other employer or Medicare.

VII.7 Breach of Covenants; Exculpation. In the event of (a) a wilful and material breach by Executive of any of the covenants contained in Article IX, or (b) a failure by Executive to cure (to the fullest extent curable) a non-wilful breach of any of such covenants within 10 days after his receipt of a written notice thereof from the Company, the Company shall be entitled, after obtaining a final judicial determination (or, if the Company reasonably determines, based upon the advice of counsel, that it is more likely than not that each of the Circuit Court of Cook County, Illinois and the United States District Court for the Northern District of Illinois will decline to adjudicate the issue, a final decree in an arbitration proceeding conducted in accordance with the rules of the American Arbitration Association, with such arbitration proceeding to be conducted in Chicago, Illinois before a panel of three arbitrators) to the effect that such action by the Company is appropriate and consistent with the requirements and procedures set forth in this Agreement, to take any or all of the following actions:

(1) discontinue the SERP Benefit and any or all payments and benefits provided to Executive pursuant to Article VII and any other provision of this Agreement,

(2) terminate any Options then held by Executive, whether or not then exercisable, and

(3) require Executive to:

(w) repay to the Company all amounts previously received by Executive pursuant to any provision of Article VII on or after the first date on which the Executive breached any of the covenants contained in Article IX (the "Breach Date"),

(x) repay to the Company all amounts previously received by Executive pursuant the SERP Benefit at any time on or after the Termination Date,

(y) pay to the Company an amount equal to the aggregate "spread" on all Options exercised on or after the Breach Date, and

(z) repay to the Company any other amount that it paid to Executive on or after the Breach Date which Executive would not have been entitled to receive if the Company had terminated the employment of Executive for Cause as of the Breach Date;

provided, however, that (I) no benefits shall be discontinued or terminated nor shall Executive have any monetary liability to the Company for any breach of the covenants contained in Article IX for any act or failure to act, including without limitation simple negligence or an error in judgment, if such act or failure to act was done in good faith, with a reasonable belief that the act, or failure to act, was in the best interest of the Company or was required by applicable law or administrative regulations, and was not done primarily to benefit Executive and (II) no action may be brought under this Section 7.7 more than three years after the Termination Date. For purposes of clause (iii) (y) of the preceding sentence, "spread" in respect of any Option shall mean the product of the number of shares as to which such Option has been exercised on or after the Breach Date multiplied by the difference between the closing price of the Common Stock on the exercise date (or if the Common Stock did not trade on the New York Stock Exchange on the exercise date, the most recent date on which the Common Stock did so trade) and the exercise price of the Option.

VII.8 Other Employment; Other Plans. Executive shall not be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to Executive under any provision of this Agreement. The amounts payable hereunder shall not be reduced by any payments received by Executive from any other employer; provided, however, that any continued welfare benefits provided for by Section 6.3 shall not duplicate any benefits that are provided to Executive and his family by such other employer and shall be secondary to any coverage provided by such other employer. The provisions of this Article VII or Article VIII will not limit the entitlement of Executive to any other benefits available to Executive under any benefit plan or Practice that is maintained by the Company, Unicom or any Company Affiliate in which Executive participates.

ARTICLE VIII.
EFFECTS OF CERTAIN CONTROL CHANGES

VIII.1 Effect on Certain Defined Terms. In the event of (i) a Termination Without Cause or a Termination for Good Reason (including a Termination for Good Reason within the meaning of Section 1.24(b)) for which the Termination Date occurs at any time during the period beginning on the date on which a Change in Control first occurs and ending 24 months after such date (such period, the "Post-Change Period"), (ii) a Termination Without Cause or a Termination for Good Reason (including a Termination for Good Reason within the meaning of Section 1.24(b)) for which the Termination Date occurs at any other time on or after the Commencement Date and prior to the earlier of Normal Retirement or December 31, 2004, or (iii) a Termination for Good Reason within the meaning of Section 1.24(b) for which the Termination Date occurs at any other time on or after the Commencement Date and prior to Normal Retirement:

(1) the term "Formula Annual Incentive" shall mean the greater of (i) that amount determined pursuant to Section 1.23 or (ii) Executive's target Annual Incentive determined as of the Termination Date; and

(2) for purposes of a Termination for Good Reason for which the Termination Date occurs during the Post-Change Period, the term "Good Reason" shall have the meaning specified in Section 1.24, except that, subject to the proviso at the end of Section 1.24, any one or more of the following acts or omissions shall also constitute Good Reason:

(1) a determination by Executive, made in good faith at any time during the Post-Change Period, that, as a result of a Change in Control, he is substantially unable to perform, or that there has been a material reduction in, any of his duties, functions, responsibilities or authority;

(ii) the failure for any reason of any successor to the Company to assume this Agreement in writing as required by Section 8.2;

(iii) a relocation of the principal offices of the Company at any time during the Post-Change Period by more than 50 miles from the location of such offices immediately before the date on which the Post-Change Period begins; or

(iv) during any 12-month period commencing after the Change in Control, any increase of at least 20% in the amount of time that Executive is required to devote to business-related travel outside of the metropolitan Chicago, Illinois area relative to the amount of time that Executive devoted to such business travel during the 12-month period immediately prior to the Change in Control, but only to the extent that such increase is attributable to requirements imposed upon Executive by the Company Board.

VIII.2 Successor(s). Before the consummation of any Change in Control, the Company shall obtain from each Person that becomes a successor of the Company by reason of the Change in Control, the unconditional written agreement of such Person to assume this Agreement and to perform all of the obligations of the Company hereunder.

VIII.3 Termination Without Cause or for Good Reason During Post-Change Period or Termination in Certain Other Situations. In the event of (i) a Termination Without Cause or a Termination for Good Reason (including a Termination for Good Reason within the meaning of Section 1.24(b)) for which the Termination Date occurs during the Post-Change Period, (ii) a Termination Without Cause or a Termination for Good Reason (including a Termination for Good Reason within the meaning of Section 1.24(b)) for which the Termination Date occurs at any other time on or after the Commencement Date and prior to the earlier of Normal Retirement or December 31, 2004, or (iii) a Termination for Good Reason within the meaning of Section 1.24(b) for which the Termination Date occurs at any other time on or after the Commencement Date and prior to Normal Retirement, the provisions of Section 7.3 shall be inapplicable and, in lieu thereof:

(a) Executive shall receive a lump sum equal to his Accrued Base Salary, Accrued Annual Incentive, and Prorated Annual Incentive (determined by reference to the Formula Annual Incentive computed in accordance with Section 8.1(a));

(b) Executive shall receive a lump sum equal to three (3.0) times the sum of (x) his Base Salary in effect under this Agreement or, where applicable, the Prior Agreement during the calendar year preceding the Termination Date and (y) his Formula Annual Incentive (computed in accordance with Section 8.1(a)) determined as of the Termination Date;

(c) Executive and his family shall receive for the duration of the Severance Period, a continuation of the benefits described in Section 6.3 to which Executive and his family are entitled as of the Termination Date (or, if such benefits are not available, the economic equivalent thereof) and, upon the expiration of the Severance Period, Executive and his spouse shall be entitled to Post-Retirement Health Care Coverage in accordance with the provisions of Section 7.6;

(d) Company shall, at its expense, engage a professional outplacement organization which shall provide individual outplacement services to Executive for a period of six months commencing on the Termination Date, subject to extension for an additional period of six months in the sole discretion of Company;

(e) each of Executive's Options that is exercisable on the Termination Date shall remain exercisable until the applicable Option Expiration Date;

(f) each of Executive's Options that is not fully exercisable as of the Termination Date shall immediately become fully exercisable and shall thereafter remain exercisable until the applicable Option Expiration Date;

(g) all forfeiture conditions which as of the Termination Date are applicable to any deferred stock unit, restricted stock or restricted share units awarded to Executive by the Company pursuant to the LTIP, a successor plan, or otherwise at any time during the Contract Term or by Unicom pursuant to the Unicom Long-Term Incentive Plan or otherwise at any time during the contract term under the Prior Agreement, shall lapse immediately; and

(h) If all or any portion of any of Executive's awards under any other bonus or incentive arrangement under the LTIP or the Unicom Long-Term Incentive Plan shall for any reason be unvested as of the Termination Date, the Company shall pay Executive a benefit equal to the increase in the benefit that Executive would have received if the unvested portion of such benefit had become fully vested as of the Termination Date.

VIII.4 Enhanced Retirement Benefit.

(a) In the event of (i) a Termination Without Cause or a Termination for Good Reason (including a Termination for Good Reason within the meaning of Section 1.24(b)) for which the Termination Date occurs during the Post-Change Period, (ii) a Termination Without Cause or a Termination for Good Reason (including a Termination for Good Reason within the meaning of Section 1.24(b)) for which the Termination Date occurs at any other time on or after the Commencement

Date and prior to the earlier of Normal Retirement or December 31, 2004, or (iii) a Termination for Good Reason within the meaning of Section 1.24(b) for which the Termination Date occurs at any other time on or after the Commencement Date and prior to Normal Retirement, the aggregate amount of Executive's annual retirement benefit pursuant to Section 6.2(a) shall be computed on the basis of the assumptions set forth in such Section 6.2(b), together with the additional assumptions that Executive had:

(x) attained as of the Termination Date an age that is three greater than the age determined pursuant to clause (i) of Section 6.2(b),

(y) accrued a number of years of service that is three years greater than the number of years of service determined pursuant to clause (ii) of Section 6.2(b), and

(z) received the lump-sum severance benefit specified in Section 8.3(b) in equal monthly installments during the Severance Period.

(b) For purposes of applying the adjustments necessary to give effect to the form in which Executive may from time to time elect to receive his SERP Benefit pursuant to Section 6.2(c), the term "Service Annuity System" shall refer to Service Annuity System as in effect on the last date preceding the Post-Change Period, if any, if the amount of the SERP Benefit (in the form in which Executive elects to receive it) would otherwise be reduced by application of the adjustments provided for under the Service Annuity System as in effect as of the Termination Date.

VIII.5 Gross-Up for Certain Taxes.

(a) If it is determined by the Company's independent auditors that any monetary or other benefit received or deemed received by Executive from the Company or any Affiliate thereof pursuant to this Agreement or otherwise, whether or not in connection with a Change in Control (such monetary or other benefits collectively, the "Potential Parachute Payments"), is or will become subject to any excise tax under Section 4999 of the Code or any similar tax under any United States federal, state, local or other law (such excise tax and all such similar taxes collectively, "Excise Taxes"), then the Company shall, subject to Sections 8.10 and 8.11, within five business days after such determination, pay Executive an amount (the "Gross-Up Payment") equal to the product of:

(i) the amount of such Excise Taxes multiplied by

(ii) the Gross-Up Multiple (as defined in Section 8.8).

The Gross-Up Payment is intended to compensate Executive for all Excise Taxes payable by Executive with respect to Potential Parachute Payments and all Taxes or Excise Taxes payable by Executive with respect to the Gross-Up Payment.

(b) The determination of the Company's independent auditors described in Section 8.5(a), including the detailed calculations of the amounts of the Potential Parachute Payments, Excise Taxes and Gross-Up Payment and the assumptions relating thereto, shall be set forth in a written certificate of such auditors (the "Company Certificate") delivered to Executive. Executive or the Company may at any time request the preparation and delivery to Executive of a Company Certificate. The Company shall cause the Company Certificate to be delivered to Executive as soon as reasonably possible after such request.

VIII.6 Determination by Executive.

(a) If (i) the Company shall fail to deliver a Company Certificate to Executive within 30 days after its receipt of his written request therefor, or (ii) at any time after Executive's receipt of a Company Certificate, Executive disputes either (x) the amount of the Gross-Up Payment set forth therein or (y) the determination set forth therein to the effect that no Gross-Up Payment is due (whether by reason of Section 8.11 or otherwise), then Executive may elect to require the Company to pay a Gross-Up Payment in the amount determined by Executive as set forth in an Executive Counsel Opinion (as defined in Section 8.9). Any such demand by Executive shall be made by delivery to the Company of a written notice which specifies the Gross-Up Payment determined by Executive (together with the detailed calculations of the amounts of Potential Parachute Payments, Excise Taxes and Gross-Up Payment and the assumptions relating thereto) and an Executive Counsel Opinion regarding such Gross-Up Payment (such written notice and opinion collectively, the "Executive's Determination") . Within 30 days after delivery of an Executive's Determination to the Company, the Company shall either (i) pay Executive the Gross-Up Payment set forth in the Executive's Determination (less the portion thereof, if any, previously paid to Executive by the Company) or (ii) deliver to Executive a Company Certificate and a Company Counsel Opinion (as defined in Section 8.9), and pay Executive the Gross-Up Payment specified in such Company Certificate. If for any reason the Company fails to comply with the preceding sentence, the Gross-Up Payment specified in the Executive's Determination shall be controlling for all purposes.

(b) If Executive does not request a Company Certificate, and the Company does not deliver a Company Certificate to Executive, then (i) the Company shall, for purposes of Section 8.11, be deemed to have determined that no Gross-Up Payment is due and (ii) Executive shall not pay any Excise Taxes in respect of Potential Parachute Payments except in accordance with Sections 8.10(a) or (d).

VIII.7 Additional Gross-Up Amounts. If for any reason (whether pursuant to subsequently enacted provisions of the Code, final regulations or published rulings of the IRS, a final judgment of a court of competent jurisdiction, a determination of the Company's independent auditors set forth in

a Company Certificate or, subject to the last two sentences of Section 8.6(a), an Executive's Determination) it is later determined that the amount of Excise Taxes payable by Executive is greater than the amount determined by the Company or Executive pursuant to Section 8.5 or 8.6, as applicable, then the Company shall, subject to Sections 8.10 and 8.11, pay Executive an amount (which shall also be deemed a Gross-Up Payment) equal to the product of:

(a) the sum of (1) such additional Excise Taxes and (2) any interest, penalties, expenses or other costs incurred by Executive as a result of having taken a position in accordance with a determination made pursuant to Section 8.5 or 8.6, as applicable, multiplied by

(b) the Gross-Up Multiple.

VIII.8 Gross-Up Multiple. The Gross-Up Multiple shall equal a fraction, the numerator of which is one (l.0), and the denominator of which is one (1.0) minus the lesser of (i) the sum, expressed as a decimal fraction, of the effective after-tax marginal rates of all Taxes and any Excise Taxes applicable to the Gross-Up Payment or (ii) 0.80, it being intended that the Gross-Up Multiple shall in no event exceed five (5.0) . (If different rates of tax are applicable to various portions of a Gross-Up Payment, the weighted average of such rates shall be used.)

VIII.9 Opinion of Counsel. "Executive Counsel Opinion" means an opinion of nationally-recognized executive compensation counsel to the effect (i) that the amount of the Gross-Up Payment determined by Executive pursuant to Section 8.6 is the amount that a court of competent jurisdiction, based on a final judgment not subject to further appeal, is most likely to decide to have been calculated in accordance with this Article and applicable law and (ii) if the Company has previously delivered a Company Certificate to Executive, that there is no reasonable basis or no substantial authority for the calculation of the Gross-Up Payment set forth in the Company Certificate. "Company Counsel Opinion" means an opinion of nationally-recognized executive compensation counsel to the effect that (i) the amount of the Gross-Up Payment set forth in the Company Certificate is the amount that a court of competent jurisdiction, based on a final judgment not subject to further appeal, is most likely to decide to have been calculated in accordance with this Article and applicable law and (ii) for purposes of Section 6662 of the Code, Executive has substantial authority to report on his federal income tax return the amount of Excise Taxes set forth in the Company Certificate.

VIII.10 Amount Increased or Contested.

(a) Executive shall notify the Company in writing (an "Executive's Notice") of any claim by the IRS or other taxing authority (an "IRS Claim") that, if successful, would require the payment by Executive of Excise Taxes in respect of Potential Parachute Payments in an amount in excess of the amount of such Excise Taxes determined in accordance with Section 8.5 or 8.6, as applicable. Such Executive's Notice shall include the nature and amount of such IRS Claim, the date on which such IRS Claim is due to be paid (the "IRS Claim Deadline"), and a copy of all notices and other documents or correspondence received by Executive in respect of such IRS Claim. Executive shall give his Executive's Notice as soon as practicable, but no later than the earlier of (i) 10 business days after Executive first obtains actual knowledge of such IRS Claim or (ii) five business days before the IRS Claim Deadline; provided, however, that Executive's failure to give such notice shall affect the Company's obligations under this Article only to the extent that the Company is actually prejudiced by such failure. If at least one business day before the IRS Claim Deadline the Company shall:

(1) deliver to Executive a Company Certificate to the effect that the IRS Claim has been reviewed by the Company's independent auditors and, notwithstanding the IRS Claim, the amount of Excise Taxes, interest and penalties payable by Executive is either zero or an amount less than the amount specified in the IRS Claim,

(2) pay to Executive an amount (which shall also be deemed a Gross-Up Payment) equal to the positive difference between (x) the product of the amount of Excise Taxes, interest and penalties specified in the Company Certificate, if any, multiplied by the Gross-Up Multiple, and (y) the portion of such product, if any, previously paid to Executive by the Company, and

(3) direct Executive pursuant to Section 8.10(d) to contest the balance of the IRS Claim,

then Executive shall pay only the amount, if any, of Excise Taxes, interest and penalties specified in the Company Certificate. In no event shall Executive pay an IRS Claim earlier than 30 days after having given an Executive's Notice to the Company (or, if sooner, the IRS Claim Deadline).

(b) At any time after the payment by Executive of any amount of Excise Taxes or related interest or penalties in respect of Potential Parachute Payments (whether or not such amount was based upon a Company Certificate, an Executive's Determination or an IRS Claim), the Company may in its discretion require Executive to pursue a claim for a refund (a "Refund Claim") of all or any portion of such Excise Taxes, interest or penalties as the Company may specify by written notice to Executive.

(c) If the Company notifies Executive in writing that the Company desires Executive to contest an IRS Claim or to pursue a Refund Claim, Executive shall:

(i) give the Company all information that it reasonably requests in writing from time to time relating to such IRS Claim or Refund Claim, as applicable,

(ii) take such action in connection with such IRS Claim or Refund Claim (as applicable) as the Company reasonably requests in writing from time to time, including accepting legal representation with respect thereto by an attorney selected by the Company, subject to the approval of Executive (which approval shall not be unreasonably withheld or delayed),

(iii) cooperate with the Company in good faith to contest such IRS Claim or pursue such Refund Claim, as applicable,

(iv) permit the Company to participate in any proceedings relating to such IRS Claim or Refund Claim, as applicable, and

(iv) contest such IRS Claim or prosecute such Refund Claim (as applicable) to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company may from time to time determine in its discretion.

The Company shall control all proceedings in connection with such IRS Claim or Refund Claim (as applicable) and in its discretion may cause Executive to pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the IRS or other taxing authority in respect of such IRS Claim or Refund Claim (as applicable); provided that (i) any extension of the statute of limitations relating to payment of taxes for the taxable year of Executive relating to the IRS Claim is limited solely to such IRS Claim, (ii) the Company's control of the IRS Claim or Refund Claim (as applicable) shall be limited to issues with respect to which a Gross-Up Payment would be payable, and (iii) Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the IRS or other taxing authority.

(d) The Company may at any time in its discretion direct Executive to (i) contest the IRS Claim in any lawful manner or (ii) pay the amount specified in an IRS Claim and pursue a Refund Claim; provided, however, that if the Company directs Executive to pay an IRS Claim and pursue a Refund Claim, the Company shall advance the amount of such payment to Executive on an interest-free basis and shall indemnify Executive, on an after-tax basis, for any Taxes, Excise Taxes, and any related interest or penalties imposed with respect to such advance.

(e) The Company shall pay directly all legal, accounting and other costs and expenses (including additional interest and penalties) incurred by the Company or Executive in connection with any IRS Claim or Refund Claim, as applicable, and shall indemnify Executive, on an after-tax basis, for any Taxes, Excise Taxes and related interest and penalties imposed on Executive as a result of such payment of costs and expenses.

VIII.11 Limitation on Gross-Up Payments.

(a) Notwithstanding any other provision of this Article VIII, if the aggregate After-Tax Amount (as defined below) of the Potential Parachute Payments and Gross-up Payment that, but for this Section 8.11, would be payable to Executive, does not exceed 110% of the After-Tax Floor Amount (as defined below), then no Gross-Up Payment shall be made to Executive and the aggregate amount of Potential Parachute Payments payable to Executive shall be reduced (but not below the Floor Amount) to the largest amount which would both (i) not cause any Excise Taxes to be payable by Executive and (ii) not cause any Potential Parachute Payments to become nondeductible by the Company by reason of Section 280G of the Code (or any successor provision) . For purposes of the preceding sentence, Executive shall be deemed to be subject to the highest effective after-tax marginal rate of Taxes.

(b) For purposes of this Section:

(i) "After-Tax Amount" means the portion of a specified amount that would remain after payment of all Taxes and Excise Taxes paid or payable by Executive in respect of such specified amount;

(ii) "Floor Amount" means the greatest pre-tax amount of Potential Parachute Payments that could be paid to Executive without causing him to become liable for any Excise Taxes in connection therewith; and

(iii) "After-Tax Floor Amount" means the After-Tax Amount of the Floor Amount.

VIII.12 Refunds. If, after the receipt by Executive of any payment or advance of Excise Taxes by the Company pursuant to this Article, Executive receives any refund with respect to such Excise Taxes, Executive shall (subject to the Company's complying with any applicable requirements of Section 8.10) promptly pay the Company the amount of such refund (together with any interest paid or credited thereon after Taxes applicable thereto). If, after the receipt by Executive of an amount advanced by the Company pursuant to Section 8.10, a determination is made that Executive shall not be entitled to any refund with respect to such claim and the Company does not notify Executive in writing of its intent to contest such determination within 30 days after the Company receives written notice of such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid. Any contest of a denial of refund shall be controlled by Section 8.10.

VIII.13 No Adverse Effect on Pooling of Interests. Any benefits provided to Executive under this Article VIII may be reduced or eliminated to the extent necessary, in the reasonable judgment of the Company Board, to enable the Company to account for a merger, consolidation or similar transaction as a pooling of interests; provided that (i) the Company Board shall have exercised such

judgment and given Executive written notice thereof prior to the Effective Date, (ii) the determination of the Company Board shall be supported by a written certificate of the Company's independent auditors, a copy of which shall be provided to the Executive before the Effective Date, and (iii) if for any reason the Company shall, notwithstanding such exercise of judgment by the Company Board, fail to account for such merger, consolidation or other transaction as a pooling of interests for any fiscal period that includes the Termination Date, the Company shall, as soon as practicable after the end of such fiscal period and, in any event, within 10 business days after the its audited financial statements for such fiscal period first become publicly available, provide to Executive the excess, if any, of (x) each severance or other benefit determined pursuant to Article VIII (without giving effect to this Section 8.13) over (y) each corresponding severance or other benefit previously provided to Executive pursuant to Article VII or Article VIII.

ARTICLE IX.
RESTRICTIVE COVENANTS

IX.1 Confidential Information.

(1) Executive acknowledges that it is the policy of the Company and its Affiliates to maintain as secret and confidential all Confidential Information, and that Confidential Information has been and will be developed at substantial cost and effort to the Company and its Affiliates. Executive acknowledges that he will have access to Confidential Information with respect to the Company and its Affiliates which information is a valuable and unique asset of the Company and its Affiliates and that disclosure of such Confidential Information would cause irreparable damage to the business and operations of the Company and its Affiliates.

(2) Executive acknowledges that the Confidential Information is, as between the Company and its Affiliates and Executive, the exclusive property of the Company and its Affiliates.

(3) Both during Executive's employment by the Company (whether during or after the Initial Term) and at any time after the Termination Date, Executive:

(1) shall not, directly or indirectly, divulge, furnish or make accessible to any Person any Confidential Information (except (x) to the extent Executive reasonably and in good faith believes that such actions are related to, and required by, Executive's performance of his duties under this Agreement, or (y) as may be compelled by applicable law or administrative regulation; provided that Executive, to the extent not prohibited from doing so by applicable law or administrative regulation, shall give the Company written notice of the information to be so disclosed pursuant to clause (y) of this sentence as far in advance of its disclosure as is practicable, shall cooperate with the Company in its efforts to protect the information from disclosure, and shall limit its disclosure of such information to the minimum disclosure required by law or administrative regulation unless the Company agrees in writing to a greater level of disclosure);

(2) shall not use for his own benefit in any manner, any Confidential Information;

(3) shall not cause any such Confidential Information to become publicly known; and

(4) shall take all reasonable steps to safeguard such Confidential Information and to protect it against disclosure, misuse, loss and theft.

(4) For purposes of this Agreement, Confidential Information represents trade secrets subject to protection under the Uniform Trade Secrets Act, as adopted by the State of Illinois, or to any comparable protection afforded by applicable laws.

IX.2 Non-Competition.

(1) During the period beginning on the Agreement Date and ending two years after the Termination Date, Executive shall not, directly or indirectly, in any capacity, engage or participate in, become employed by, serve as a director of, or render advisory or consulting or other services in connection with, any Competitive Business (as defined in Section 9.2(c)).

(2) During the period beginning on the Agreement Date and ending two years after the Termination Date, Executive shall not at any time make any financial investment, whether in the form of equity or debt, or own any interest, directly or indirectly, in any Competitive Business. Nothing in this subsection shall, however, restrict Executive from making an investment in any Competitive Business if such investment does not (i) represent more than 1% of market value of the outstanding capital stock or debt (as applicable) of such Competitive Business, (ii) give Executive any right or ability, directly or indirectly, to control or influence the policy decisions of any Competitive Business, and (iii) create a conflict of interest between Executive's duties under this Agreement and his interest in such investment. In addition, nothing in this subsection shall restrict Executive's ability to retain any interest (including any interest in common stock held on March 10, 1998 or subsequently acquired upon exercise of options or similar rights held on March 10, 1998 or upon the conversion of convertible securities held on March 10, 1998) in New England Electric System or any of its successors received by Executive as a result of his former employment relationship with such entity.

(3) "Competitive Business" means as of any date (including during the two-year period commencing on the Termination Date) any Person (and any branch, office or operation thereof) which engages in, or proposes to engage in (i) the production, transmission, distribution, marketing or sale of electricity or (ii) any other business engaged in by the Company or its Affiliates prior to the Termination Date which represents for any calendar year during the Contract Term, or is projected by the Company (as reflected in a business plan adopted by the Company or any Affiliate thereof before the Termination Date) to yield during any year during the first three-fiscal year period commencing on or after the Termination Date, more than 5% of the gross revenue of the Company, and which is located (i) anywhere in the United States, or (ii) anywhere outside of the United States where the

Company or any Affiliate thereof is then engaged in, or proposes to engage in, any of such activities.

IX.3 Non-Solicitation. During the period beginning on the Agreement Date and ending two years after the Termination Date, Executive shall not, directly or indirectly:

(1) other than in connection with the performance of his duties as an officer of the Company, encourage any Key Employee to terminate his or her employment;

(2) employ, engage as a consultant or adviser, or solicit the employment or engagement as a consultant or adviser of, any Key Employee (other than by the Company or its Affiliates), or cause any Person to do any of the foregoing;

(3) establish a business with, or encourage others to establish a business with, any Key Employee; or

(4) interfere with the relationship of the Company or any of its Affiliates with, or endeavor to entice away from, the Company or any of its Affiliates any Person who or which at any time during the period commencing one year prior to March 16, 1998 was a material customer or material supplier of, or maintained a material business relationship with, the Company, Unicom or any of their Affiliates.

IX.4 Reasonableness of Restrictive Covenants.

(1) Executive acknowledges that the covenants contained in Sections 9.1, 9.2 and 9.3 are reasonable in the scope of the activities restricted, the geographic area covered by the restrictions, and the duration of the restrictions, and that such covenants are reasonably necessary to protect the Company's legitimate interests in its Confidential Information and in its relationships with employees, customers and suppliers. Executive further acknowledges such covenants are essential elements of this Agreement and that, but for such covenants, Unicom and ComEd would not have entered into this Agreement.

(2) Unicom and ComEd and Executive have each consulted with their respective legal counsel and have been advised concerning the reasonableness and propriety of such covenants. Executive acknowledges that his observance of the covenants contained in Sections 9.1, 9.2 and 9.3 will not deprive him of the ability to earn a livelihood or to support his dependents.

IX.5 Right to Injunction; Survival of Undertakings.

(1) In recognition of the confidential nature of the Confidential Information, and in recognition of the necessity of the limited restrictions imposed by Sections 9.1, 9.2 and 9.3, the parties agree that it would be impossible to measure solely in money the damages which the Company would suffer if Executive were to breach any of his obligations under such Sections. Executive acknowledges that any breach of any provision of this such Sections would irreparably injure the Company. Accordingly, Executive agrees that if he breaches any of the provisions of such Sections, the Company shall be entitled, in addition to any other remedies to which the Company may be entitled under this Agreement or otherwise, to an injunction to be issued by a court of competent jurisdiction, to restrain any breach, or threatened breach, of such provisions, and Executive hereby waives any right to assert any claim or defense that the Company has an adequate remedy at law for any such breach.

(2) If a court determines that any of the covenants included in this Article IX is unenforceable in whole or in part because of such covenant's duration or geographical or other scope, such court shall have the power to reduce the duration or scope of such provision, as the case may be, so as to cause such covenant to be thereafter enforceable.

(3) All of the provisions of this Article IX shall survive any Termination of Employment without regard to (i) the reasons for such termination or (ii) the expiration of the Contract Term.

IX.6 Non-Disparagement. During the two-year period commencing on the Termination Date, Executive shall not (a) make any written or oral statement that brings the Company or any of its Affiliates or the employees, officers or agents of the Company or any of its Affiliates into disrepute, or tarnishes any of their images or reputations or (b) publish, comment upon or disseminate any statements suggesting or accusing Company or any of its Affiliates or any of agents, employees or officers of the Company or any of its Affiliates of any misconduct or unlawful behavior. This Section shall not be deemed to be breached by testimony of Executive given in any judicial or governmental proceeding which Executive reasonably believes to be truthful at the time given or by any other action of Executive which he reasonably believes is taken in accordance with the requirements of applicable law or administrative regulation.

ARTICLE X.
MISCELLANEOUS

X.1 Required Withholding. The Company may deduct or withhold from payments or other benefits otherwise payable to Executive pursuant to the provisions of this Agreement any amounts that are required by applicable law.

X.2 Remedies. In the event of any Termination of Employment or any breach of this Agreement by the Company, Executive's exclusive remedies shall be as specified in Article VII or to enforce any other undertaking of the Company expressly provided in this Agreement; provided that nothing herein shall deny Executive the right to seek a final judicial determination (or, if Executive reasonably determines, based upon the advice of counsel, that it is more likely than not that each of

the Circuit Court of Cook County, Illinois and the United States District Court for the Northern District of Illinois will decline to adjudicate the issue, a final decree in an arbitration proceeding conducted in accordance with the rules of the American Arbitration Association, with such arbitration proceeding to be conducted in Chicago, Illinois before a panel of three arbitrators) that any Termination of Employment purportedly made for Cause was, in fact, made not in good faith or was made without adherence to the requirements or procedures set forth in this Agreement. If Executive obtains such a final judicial or arbitral determination, as applicable, the Termination of Employment shall be treated as a Termination Without Cause for all purposes of this Agreement.

X.3 Assignment; Successors. This Agreement shall be binding upon and inure to the benefit of Executive and his Beneficiaries and estate and the Company (as the surviving entity in the Merger and as successor to Unicom at the Merger Effective Time) and its successors.

X.4 Beneficiary. If Executive dies prior to receiving all of the amounts payable hereunder pursuant to Article IV, VI (except as may otherwise expressly be provided in such Article or in the plans referenced therein), VII or VIII, such amounts shall be paid in a lump-sum payment to the beneficiary ("Beneficiary") designated by Executive in writing to the Company during his lifetime, which Executive may change from time to time by new designation filed in like manner without the consent of any Beneficiary; or if no such Beneficiary is designated, to his estate.

X.5 Nonalienation of Benefits. Benefits payable under this Agreement shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution or levy of any kind, either voluntary or involuntary, prior to actually being received by Executive, and any such attempt to dispose of any right to benefits payable hereunder shall be void.

X.6 Severability. If all or any part of this Agreement is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity shall not serve to invalidate any portion of this Agreement not declared to be unlawful or invalid. Any paragraph or part of a paragraph so declared to be unlawful or invalid shall, if possible, be construed in a manner which will give effect to the terms of such paragraph or part of a paragraph to the fullest extent possible while remaining lawful and valid.

X.7 Amendment; Waiver. This Agreement shall not be amended or modified except by a written agreement between (a) prior to the Merger Effective Time, Unicom, ComEd and Executive and (b) on or after the Merger Effective Time, the Company and Executive. A waiver of any term, covenant or condition contained in this Agreement shall not result in a waiver of any other term, covenant or condition, and any waiver of any default shall not result in a waiver of any later default.

X.8 Notices. All notices hereunder shall be in writing, delivered by hand, nationally-recognized courier service that guarantees overnight delivery or by certified mail, return receipt requested, postage prepaid, and addressed as follows:

If to the Company: Newco
Attn: Pamela B. Strobel
Executive Vice President and General Counsel
37th Floor
One First National Plaza
Chicago, Illinois 60690

If to Executive: John W. Rowe
Unit 3306
950 North Michigan Avenue
Chicago, Illinois 60611

With copy to: Robert W. Kleinman, Esq.
Ross & Hardies
150 North Michigan Avenue
Chicago, Illinois 60601-7567

Either party may from time to time designate a new address by accordance with this Section. Notices shall be effective when received by the addressee.

X.9 Publicity. Until this Agreement has been filed as an exhibit to a filing by the Company or Unicom with the Securities and Exchange Commission, neither Executive nor the Company shall issue or cause the publication of any press release or other public announcement with respect to this Agreement, nor disclose the contents hereof to any third party, without obtaining in each case the consent of the other parties hereto, which consent shall not be withheld or delayed where such release, announcement or disclosure shall be required by applicable law or administrative regulation.

X.10 Communications. Nothing in this Agreement, including Sections 9.1, 9.6 or 10.9, shall be construed to prohibit Executive from communicating with, including testifying in any administrative proceeding before, the Nuclear Regulatory Commission or the United States Department of Labor, or from otherwise addressing issues related to nuclear safety with any party or taking any other action protected under Section 211 of the Energy Reorganization Act.

X.11 Legal Expenses. The Company shall pay to Executive all reasonable legal fees and expenses incurred by Executive in disputing in good faith any termination of his employment hereunder or in seeking in good faith to obtain or enforce any benefit or right under this Agreement, provided that Executive shall have a reasonable basis for his position.

X.12 Articles and Sections. Except where otherwise indicated by the context, any reference to an "Article" or "Section" shall be to an Article or Section of this Agreement.

X.13 Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

X.14 Effectiveness; Prior Agreement; Entire Agreement. This Agreement shall be binding immediately upon its execution and shall become effective immediately prior to the Merger Effective Time without further action of Unicom, the Company, ComEd or Executive. The Prior Agreement shall remain in effect until as provided in the following sentence. At the Merger Effective Time this Agreement forms the entire agreement between the parties hereto with respect to its subject matter, and shall supersede all prior agreements, promises and representations of the parties regarding employment or severance, whether in writing or otherwise, including but not limited to the Prior Agreement which will be without further effect immediately prior to the Merger Effective Time (and upon the effectiveness of this Agreement) without further action of Unicom, the Company, ComEd or the Executive or liability to Unicom, the Company, ComEd or Executive thereunder.

X.15 Applicable Law. This Agreement shall be interpreted and construed in accordance with the laws of the State of Illinois, without regard to its choice of law principles.

X.16 Survival. All of Executive's rights hereunder, including his rights to compensation and benefits prior to the Termination Date, his right to severance and other benefits subject to the terms and conditions of Article VII and VIII after the Termination Date, and his obligations under Article IX hereof, shall survive a Termination of Employment and the termination of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first above written.

UNICOM CORPORATION

By: /s/ Edward A. Brennan

Edward A. Brennan,
Chairman of the Compensation Committee
of the Board of Directors

By: /s/ Donald P. Jacobs

Donald P. Jacobs,
Lead Non-employee Director

COMMONWEALTH EDISON COMPANY

By: /s/ Edward A. Brennan

Edward A. Brennan,
Chairman of the Compensation Committee of
the Board of Directors

By: /s/ Donald P. Jacobs

Donald P. Jacobs,
Lead Non-employee Director

EXECUTIVE:

/s/ John W. Rowe

John W. Rowe

UT
1,000,000

9-MOS
DEC-31-2000
SEP-30-2000
PER-BOOK
4,991
927
1,357
6,208
184
13,667
1,397
3
301
1,727
37
137
6,252
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284
306
0
0
0
4,924
13,667
4,366
316
3,261
3,577
789
71
860
333
523
8
515
130
330
605
2.94
2.92

UNICOM CORPORATION

QUARTERLY REPORT

For the Quarterly Period Ended September 30, 2000

Unicom Corporation

Quarterly Report for the Quarterly Period Ended September 30, 2000

This document contains a Quarterly Report for the quarterly period ended September 30, 2000 for Unicom Corporation. In addition, several portions of this Quarterly Reports contain forward-looking statements; and reference is made to pages 58-59 for the location and character of such statements.

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DEFINITIONS

The following terms are used in this document with the following meanings:

Term	Meaning
1997 Act	Illinois Electric Service Customer Choice and Rate Relief Law of 1997, as amended
AFUDC	Allowance for funds used during construction
APB	Accounting Principles Board
APX	Automated Power Exchange Inc., a California company
CERCLA	Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended
City	City of Chicago
ComEd	Commonwealth Edison Company, an Exelon subsidiary
ComEd Funding	ComEd Funding, LLC, a ComEd subsidiary
ComEd Funding Trust	ComEd Transitional Funding Trust, a ComEd Funding subsidiary
Cotter	Cotter Corporation, formerly a ComEd subsidiary
CTC	Non-bypassable "competitive transition charge"
DOE	U.S. Department of Energy
Edison Development	Edison Development Canada Inc., a ComEd subsidiary
EME	Edison Mission Energy, an Edison International subsidiary
EPS	Earnings/(Loss) per Common Share
ESPP	Employee Stock Purchase Plan
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
Fossil Plant	ComEd's former six coal-fired generating plants, an oil and gas-fired plant, and nine peaking unit sites
GAAP	Generally Accepted Accounting Principles
ICC	Illinois Commerce Commission
IDR	Illinois Department of Revenue
Indiana Company	Commonwealth Edison Company of Indiana, Inc., a ComEd subsidiary
INPO	Institute of Nuclear Power Operations
ISO	Independent System Operator
MGP	Manufactured gas plant
NEIL	Nuclear Electric Insurance Limited
Northwind Chicago	Northwind Chicago, LLC, a UT Holdings subsidiary
Northwind Midway	Northwind Midway, LLC, a UT Holdings subsidiary
NRC	Nuclear Regulatory Commission
O&M	Operation and maintenance
PECO	PECO Energy Company, a Pennsylvania company
PPAs	Purchase Power Agreements
RES	Retail Electric Supplier
RTO	Regional Transmission Organization
SEC	Securities and Exchange Commission
SFAS	Statement of Financial Accounting Standards
SPEs	Special purpose entities
S&P	Standard & Poor's
Trusts	ComEd Financing I and ComEd Financing II, ComEd subsidiaries
Trust Securities	ComEd-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely ComEd's subordinated debt securities
Unicom	Unicom Corporation
Unicom Energy Services	Unicom Energy Services Inc., a Unicom Enterprises subsidiary
Unicom Enterprises	Unicom Enterprises Inc., a Unicom subsidiary
Unicom Investment	Unicom Investment, Inc., a Unicom subsidiary
Unicom Power Holdings	Unicom Power Holdings Inc., a Unicom Enterprises subsidiary
Unicom Thermal	Unicom Thermal Technologies Inc., a UT Holdings subsidiary
U.S. EPA	U.S. Environmental Protection Agency
UT Holdings	UT Holdings Inc., a Unicom Enterprises subsidiary

Part I. Financial Information

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders of Unicom Corporation:

We have audited the accompanying consolidated balance sheets and statements of consolidated capitalization of UNICOM CORPORATION (an Illinois corporation) and subsidiary companies as of September 30, 2000 and December 31, 1999, and the related statements of consolidated operations, retained earnings, comprehensive income and cash flows for the three-month, nine-month and twelve-month periods ended September 30, 2000 and 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Unicom Corporation and subsidiary companies as of September 30, 2000 and December 31, 1999, and the results of their operations and their cash flows for the three-month, nine-month and twelve-month periods ended September 30, 2000 and 1999, in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

Chicago, Illinois
November 3, 2000

UNICOM CORPORATION AND SUBSIDIARY COMPANIES

STATEMENTS OF CONSOLIDATED OPERATIONS

The following Statements of Consolidated Operations for the three months, nine months and twelve months ended September 30, 2000 and 1999 reflect the results of past operations and are not intended as any representation as to results of operations for any future period. Future operations will necessarily be affected by various and diverse factors and developments, including changes in electric prices, regulation, population, business activity, asset dispositions, competition, taxes, environmental control, energy use, fuel, cost of labor, purchased power and other matters, the nature and effect of which cannot now be determined.

	Three Months Ended September 30		Nine Months Ended September 30		Twelve Months Ended September 30	
	2000	1999	2000	1999	2000	1999
	(Thousands Except Per Share Data)					
Operating Revenues......	$2,220,289	$2,084,454	$5,685,671	$5,307,972	$7,225,646	$6,871,640
Operating Expenses and Taxes:						
Fuel..................	$ 97,207	$ 302,181	$ 294,046	$ 796,654	$ 494,654	$1,049,699
Purchased power.......	735,894	249,375	1,410,881	419,358	1,544,823	520,987
Operation and maintenance..........	654,518	581,937	1,749,008	1,787,435	2,387,446	2,369,062
Depreciation and amortization.........	230,214	202,109	831,859	700,388	974,719	929,731
Taxes (except income)..............	138,610	144,791	406,357	407,286	507,525	535,247
Income taxes..........	45,771	181,654	138,073	305,265	192,007	354,131
Investment tax credits deferred--net	(5,499)	(7,021)	(16,498)	(21,063)	(21,263)	(27,856)
	$1,896,715	$1,655,026	$4,813,726	$4,395,323	$6,079,911	$5,731,001
Operating Income........	$ 323,574	$ 429,428	$ 871,945	$ 912,649	$1,145,735	$1,140,639
Other Income and (Deductions):						
Interest on long-term debt, net of interest capitalized.........	$ (133,837)	$ (134,622)	$ (398,058)	$ (413,132)	$ (529,888)	$ (522,526)
Interest on notes payable.............	(7,538)	(5,282)	(13,709)	(13,003)	(19,308)	(17,377)
Allowance for funds used during construction.........	5,599	6,581	16,610	15,982	22,440	20,121
Income taxes applicable to nonoperating activities...........	(23,196)	2,080	(44,614)	(1,169)	(16,362)	(17,418)
Provisions for dividends and redemption premiums-- Preferred and preference stocks of ComEd...............	(534)	(1,830)	(2,773)	(20,170)	(6,359)	(33,991)
ComEd-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely ComEd's subordinated debt securities.....	(7,428)	(7,428)	(22,283)	(22,283)	(29,710)	(29,710)
Miscellaneous--net....	9,991	(9,175)	102,158	37,492	43,607	67,816
	$ (156,943)	$ (149,676)	$ (362,669)	$ (416,283)	$ (535,580)	$ (533,085)
Net Income before Extraordinary Items ...	$ 166,631	$ 279,752	$ 509,276	$ 496,366	$ 610,155	$ 607,554
Extraordinary Losses, less Applicable Income Taxes.................	(2,967)	--	(7,134)	(27,579)	(7,134)	(27,579)
Net Income.............	$ 163,664	$ 279,752	$ 502,142	$ 468,787	$ 603,021	$ 579,975
Earnings per common share before extraordinary items						
Basic.................	$ 0.96	$ 1.29	$ 2.82	$ 2.29	$ 3.21	$ 2.80
Diluted...............	$ 0.95	$ 1.28	$ 2.80	$ 2.28	$ 3.20	$ 2.79
Extraordinary losses, less applicable income taxes (basic and diluted)..............	$ (0.02)	--	$ (0.04)	$ (0.13)	$ (0.04)	$ (0.13)
Earnings per common share--						

Basic.................	$ 0.94	$ 1.29	$ 2.78	$ 2.16	$ 3.17	$ 2.67
Diluted...............	$ 0.93	$ 1.28	$ 2.76	$ 2.15	$ 3.16	$ 2.66
Cash Dividends Declared per Common Share.......	$ 0.40	$ 0.40	$ 1.20	$ 1.20	$ 1.60	$ 1.60

The accompanying Notes to Financial Statements are an integral part of the above statements.

UNICOM CORPORATION AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

ASSETS	September 30, 2000	December 31, 1999
	(Thousands of Dollars)	
Utility Plant:		
Plant and equipment, at original cost (includes construction work in progress of $801 million and $672 million, respectively)	$25,742,682	$25,007,637
Less--Accumulated provision for depreciation	14,151,813	13,729,223
	$11,590,869	$11,278,414
Nuclear fuel, at amortized cost	845,401	843,724
	$12,436,270	$12,122,138
Investments and Other Property:		
Nuclear decommissioning funds	$ 2,662,020	$ 2,546,540
Investment in leases	395,868	--
Nonutility property--less accumulated provision for depreciation of $24,894 and $17,345, respectively	251,329	304,976
Goodwill	78,373	34,955
Subsidiary companies	17,583	50,417
Other, at cost	196,358	130,917
	$ 3,601,531	$ 3,067,805
Current Assets:		
Cash and temporary cash investments	$ 981,940	$ 1,696,336
Cash held for redemption of securities	71,622	285,056
Other cash investments	1,231	62
Special deposits	515	1,845,730
Investment in leases	1,235,194	--
Receivables--		
Customers	1,300,276	1,224,678
Forward share repurchase contract	--	813,046
Income Taxes	731,707	--
Other	192,266	181,532
Provisions for uncollectible accounts	(48,004)	(50,814)
Coal and fuel oil, at average cost	18,271	15,613
Materials and supplies, at average cost	239,929	221,157
Deferred income taxes related to current assets and liabilities	71,276	60,056
Prepayments and other	150,742	36,268
	$ 4,946,965	$ 6,328,720
Deferred Charges and Other Noncurrent Assets:		
Regulatory assets	$ 1,526,590	$ 1,792,907
Other	71,279	94,463
	$ 1,597,869	$ 1,887,370
	$22,582,635	$23,406,033

The accompanying Notes to Financial Statements are an integral part of the above statements.

UNICOM CORPORATION AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

CAPITALIZATION AND LIABILITIES	September 30, 2000	December 31, 1999
	(Thousands of Dollars)	
Capitalization (see accompanying statements):		
Common stock equity	$ 3,700,755	$ 5,332,611
Preferred and preference stocks of ComEd-- Without mandatory redemption requirements	--	1,790
ComEd-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely ComEd's subordinated debt securities*	350,000	350,000
Long-term debt	7,133,995	7,129,906
	$11,184,750	$12,814,307
Current Liabilities:		
Notes payable	$ 1,477,990	$ 4,750
Current portion of long-term debt, redeemable preference stock and capitalized lease obligations of subsidiary companies	350,474	915,439
Accounts payable	928,584	582,920
Accrued interest	136,473	146,718
Accrued taxes	130,453	1,386,930
Dividends payable	70,406	94,090
Customer deposits	69,823	68,128
Other	221,779	316,542
	$ 3,385,982	$ 3,515,517
Deferred Credits and Other Noncurrent Liabilities:		
Deferred income taxes	$ 3,451,783	$ 2,484,883
Nuclear decommissioning liability for retired plants	1,288,000	1,259,700
Accumulated deferred investment tax credits	461,762	484,717
Accrued spent nuclear fuel disposal fee and related interest	797,457	763,427
Obligations under capital leases of subsidiary companies	--	161,611
Regulatory liabilities	580,991	596,157
Other	1,431,910	1,325,714
	$ 8,011,903	$ 7,076,209
Commitments and Contingent Liabilities (Note 21)		
	$22,582,635	$23,406,033

*As described in Note 10 of Notes to Financial Statements, the sole asset of ComEd Financing I, a subsidiary trust of ComEd, is $206.2 million principal amount of ComEd's 8.48% subordinated deferrable interest notes due September 30, 2035. The sole asset of ComEd Financing II, also a subsidiary trust of ComEd, is $154.6 million principal amount of ComEd's 8.50% subordinated deferrable interest debentures due January 15, 2027.

The accompanying Notes to Financial Statements are an integral part of the above statements.

UNICOM CORPORATION AND SUBSIDIARY COMPANIES

STATEMENTS OF CONSOLIDATED CAPITALIZATION

	September 30, 2000	December 31, 1999
	(Thousands of Dollars)	
Common Stock Equity:		
Common stock, without par value--Outstanding--219,075,493 shares and 217,817,610 shares, respectively	$ 5,002,631	$ 4,971,618
Preference stock expense of ComEd	--	(72)
Retained earnings	657,421	364,345
Accumulated other comprehensive income	3,806	6,815
Treasury stock--49,708,406 shares and 264,406 shares, respectively	(1,963,103)	(10,095)
	$ 3,700,755	$ 5,332,611
Preferred and Preference Stocks of ComEd--		
Without Mandatory Redemption Requirements:		
$1.425 convertible preferred stock, cumulative, without par value--Outstanding--no shares and 56,291 shares, respectively	$ --	$ 1,790
Prior preferred stock, cumulative, $100 par value per share--No shares outstanding	--	--
	$ --	$ 1,790
Subject to Mandatory Redemption Requirements:		
Preference stock, cumulative, without par value--Outstanding--No shares and 700,000 shares, respectively	$ --	$ 69,475
Current redemption requirements for preference stock included in current liabilities	--	(69,475)
	$ --	$ --
ComEd-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trusts Holding Solely ComEd's Subordinated Debt Securities	$ 350,000	$ 350,000
Long-Term Debt:		
First mortgage bonds:		
Maturing 2000 through 2004--5.30% to 9 3/8%	$ 326,000	$ 698,245
Maturing 2005 through 2014--4.40% to 8 3/8%	1,299,400	1,299,400
Maturing 2015 through 2023--6.75% to 9 7/8%	1,486,950	1,589,443
	$ 3,112,350	$ 3,587,088
Transitional trust notes, due 2001 through 2008--5.29% to 5.74%	2,804,541	3,070,000
Sinking fund debentures, due 2001 through 2011--2 7/8% to 4.75%	26,674	30,866
Pollution control obligations, due 2007 through 2014--4.65% to 5 7/8%	137,700	139,200
Other long-term debt	1,447,201	1,089,347
Current maturities of long-term debt included in current liabilities	(350,474)	(737,615)
Unamortized net debt discount and premium	(43,997)	(48,980)
	$ 7,133,995	$ 7,129,906
	$11,184,750	$12,814,307

The accompanying Notes to Financial Statements are an integral part of the above statements.

UNICOM CORPORATION AND SUBSIDIARY COMPANIES

STATEMENTS OF CONSOLIDATED RETAINED EARNINGS

	Three Months Ended September 30		Nine Months Ended September 30		Twelve Months Ended September 30	
	2000	1999	2000	1999	2000	1999
	(Thousands of Dollars)					
Balance at Beginning of Period	$561,502	$157,467	$364,345	$143,537	$348,126	$ 117,833
Add--Net income	163,664	279,752	502,142	468,787	603,021	579,975
	$725,166	$437,219	$866,487	$612,324	$ 951,147	$ 697,808
Deduct--						
Cash dividends declared on common stock	$ 67,750	$ 86,979	$209,473	$260,760	$ 296,495	$ 347,566
Other capital stock transactions--net	(5)	2,114	(407)	3,438	(2,769)	2,116
	$ 67,745	$ 89,093	$209,066	$264,198	$ 293,726	$ 349,682
Balance at End of Period (Includes $1,009 million and $702 million of appropriated retained earnings for future dividend payments at September 30, 2000 and 1999, respectively)	$657,421	$348,126	$657,421	$348,126	$ 657,421	$ 348,126

UNICOM CORPORATION AND SUBSIDIARY COMPANIES

STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME

	Three Months Ended September 30		Nine Months Ended September 30		Twelve Months Ended September 30	
	2000	1999	2000	1999	2000	1999
	(Thousands of Dollars)					
Net Income	$ 163,664	$ 279,752	$502,142	$468,787	$603,021	$579,975
Other Comprehensive Income						
Unrealized gains/(losses) on securities and foreign currency translations	$ (3,221)	$ --	$ (2,696)	--	$ 9,051	$ --
Income taxes on other comprehensive income.	20	--	(313)	--	(5,245)	--
Other comprehensive income, net of tax	$ (3,201)	$ --	$ (3,009)	$ --	$ 3,806	$ --
Comprehensive Income	$ 160,463	$ 279,752	$499,133	$468,787	$ 606,827	$ 579,975

The accompanying Notes to Financial Statements are an integral part of the above statements.

UNICOM CORPORATION AND SUBSIDIARY COMPANIES

STATEMENTS OF CONSOLIDATED CASH FLOWS

	Three Months Ended September 30		Nine Months Ended September 30		Twelve Months Ended September 30	
	2000	1999	2000	1999	2000	1999
	(Thousands of Dollars)					
Cash Flow from Operating Activities:						
Net income	$ 163,664	$ 279,752	$ 502,142	$ 468,787	$ 603,021	$ 579,975
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation and amortization	273,688	210,648	941,010	742,432	1,104,070	976,815
Deferred income taxes and investment tax credits--net	(87,381)	(10,983)	(171,786)	(109,303)	(1,511,488)	(35,026)
Contribution to environmental trust.	--	--	--	--	(250,000)	--
Recovery of coal reserve regulatory assets	--	91,642	--	111,578	178,038	108,078
Change in MGP remediation liability	(2,600)	--	(3,800)	--	64,278	--
Loss/(gain) on forward share arrangements	--	17,514	(113,071)	(15,903)	(55,370)	(15,903)
Provisions/(payments) for revenue refunds--net	--	(2,439)	--	(22,297)	(371)	306
Equity component of allowance for funds used during construction	(2,643)	(2,243)	(7,945)	(5,999)	(9,735)	(7,600)
Provisions/(payments) for liability for separation costs--net	19,303	(1,746)	10,248	(11,544)	(40,604)	1,029
Net effect on cash flows of changes in:						
Receivables	(127,965)	(2,306)	(47,845)	63,988	(267,880)	29,834
Coal and fuel oil	1,000	14,753	(141)	4,143	(3,666)	21,052
Materials and supplies	(3,151)	(2,829)	(14,972)	(10,096)	(6,275)	8,150
Accounts payable excluding separation costs--net	255,105	10,016	306,624	(92,907)	364,228	26,894
Accrued interest and taxes	15,095	3,198	(901,804)	107,785	236,394	(123,605)
Other changes in certain current assets and liabilities	(29,487)	37,883	19,597	89,881	(29,241)	152,030
Other--net	58,435	(85,162)	155,658	49,221	(16,168)	40,340
	$ 533,063	$ 557,698	$ 673,906	$ 1,369,766	$ 359,231	$ 1,762,369
Cash Flow from Investing Activities:						
Construction expenditures	$ (319,698)	$(271,921)	$ (914,425)	$ (752,614)	$(1,285,302)	$(1,042,735)
Nuclear fuel expenditures	(123,007)	(90,926)	(224,486)	(204,873)	(273,096)	(247,458)
Sales of generating plants	--	--	--	--	4,885,720	--
Investment in leases	(17,279)	--	(1,631,062)	--	(1,631,062)	--
Equity component of allowance for funds used during construction	2,643	2,243	7,945	5,999	9,735	7,600
Contributions to nuclear decommissioning funds	--	--	(39,400)	(39,426)	(89,919)	(96,120)
Other investments and special deposits	(3,638)	(26,644)	1,694,534	(39,345)	(167,120)	(47,603)
Plant removal costs--net	11,474	(17,291)	(7,486)	(49,303)	(25,915)	(89,464)
	$ (449,505)	$(404,539)	$(1,114,380)	$(1,079,562)	$ 1,423,041	$(1,515,780)
Cash Flow from Financing Activities:						
Issuance of securities--						

Transitional trust notes................	$ --	$ --	$ --	$ --	$ --	$ 3,382,629
Other long-term debt..	450,062	98,025	478,153	161,155	518,748	161,357
Capital stock.........	18,465	3,763	31,013	8,175	43,859	13,912
Retirement, redemption and repurchase of securities--						
Transitional trust notes................	(85,459)	(97,045)	(265,459)	(237,045)	(358,413)	(237,045)
Other long-term debt..	(231,601)	(28,017)	(606,372)	(1,089,027)	(948,893)	(1,179,228)
Common stock..........	(374,433)	(2,390)	(959,758)	(32,446)	(683,649)	(39,246)
Preferred stock.......	(2,174)	(72,644)	(72,318)	(606,852)	(72,358)	(610,423)
Common stock forward repurchase arrangements..........	--	--	(67,133)	(662,113)	(262,038)	(662,113)
Cash dividends paid on common stock..........	(70,657)	(86,915)	(228,737)	(260,585)	(315,716)	(347,428)
Nuclear fuel lease principal payments....	(235,365)	(55,610)	(269,985)	(157,546)	(367,841)	(208,820)
Increase/(decrease) in short-term borrowings............	797,624	36,900	1,473,240	155,787	1,029,240	40,104
	$ 266,462	$(203,933)	$ (487,356)	$(2,720,497)	$(1,417,061)	$ 313,699
Change in Net Cash Balance................	$ 350,020	$ (50,774)	$ (927,830)	$(2,430,293)	$ 365,211	$ 560,288
Cash, Temporary Cash Investments and Cash Held for Redemption of Securities:						
Balance at Beginning of Period...........	703,542	739,125	1,981,392	3,118,644	688,351	128,063
Balance at End of Period..............	$1,053,562	$ 688,351	$ 1,053,562	$ 688,351	$ 1,053,562	$ 688,351

The accompanying Notes to Financial Statements are an integral part of the above statements.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies.

Corporate Structure and Basis of Presentation. Unicom is the parent holding company of ComEd and Unicom Enterprises. ComEd, a regulated electric utility, is the principal subsidiary of Unicom. Unicom Enterprises is an unregulated subsidiary of Unicom and is engaged, through its subsidiaries, in energy service activities.

The consolidated financial statements include the accounts of Unicom, ComEd, Indiana Company, Edison Development, the Trusts, ComEd Funding, ComEd Funding Trust and Unicom's unregulated subsidiaries. All significant intercompany transactions have been eliminated. Although the accounts of ComEd Funding, ComEd Funding Trust and the subsidiaries of Unicom Investment, which are SPEs, are included in the consolidated financial statements, as required by GAAP, ComEd Funding, ComEd Funding Trust and the subsidiaries of Unicom Investment are legally separated from Unicom, ComEd and Unicom Investment. The assets of the SPEs are not available to creditors of Unicom, ComEd or Unicom Investment and the transitional property and investments held by the SPEs are not assets of Unicom, ComEd or Unicom Investment.

See Note 2 for information on Unicom's merger with PECO.

Use of Estimates. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Due to the transition to a new customer information and billing system, a larger portion of customer revenues and net receivables were based on estimates for the period July 1998 through November 1999 than in previous and subsequent periods.

Regulation. ComEd is subject to regulation as to accounting and ratemaking policies and practices by the ICC and FERC. ComEd's accounting policies and the accompanying consolidated financial statements conform to GAAP applicable to rate-regulated enterprises for the non-generation portion of its business, including the effects of the ratemaking process in accordance with SFAS No. 71, Accounting for the Effects of Certain Types of Regulation. Such effects on the non-generation portion of its business concern mainly the time at which various items enter into the determination of operating results in order to follow the principle of matching costs with the applicable revenues collected from or returned to customers through future rates.

ComEd's investment in generation-related net utility plant, not subject to cost-based rate regulation, including construction work in progress and nuclear fuel, and excluding the decommissioning costs included in the accumulated provision for depreciation was $7.7 billion and $7.8 billion as of September 30, 2000 and December 31, 1999, respectively.

Regulatory Assets and Liabilities. Regulatory assets are incurred costs which have been deferred and are amortized for ratemaking and accounting purposes. Regulatory liabilities represent amounts to be settled with customers through future rates. Regulatory assets and liabilities reflected on the Consolidated Balance Sheets at September 30, 2000 and December 31, 1999 were as follows:

	September 30, 2000	December 31, 1999
	(Thousands of Dollars)	
Regulatory assets:		
Impaired production plant(1).......................	$ 103,659	$ 366,221
Deferred income taxes (2)..........................	701,714	688,946
Nuclear decommissioning costs--Dresden Unit 1......	189,506	202,308
Nuclear decommissioning costs--Zion Units 1 and 2..	495,811	496,638
Unamortized loss on reacquired debt (3)............	35,900	38,794
	$1,526,590	$1,792,907
Regulatory liabilities:		
Deferred income taxes (2)..........................	$ 580,991	$ 596,157

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(1) Expected to be substantially recovered through regulated cash flow by the end of 2000.
(2) Recorded in compliance with SFAS No. 109, Accounting for Income Taxes, for non-generation related temporary differences.
(3) Amortized over the remaining lives of the non-generation related long-term debt issued to finance the reacquisition. See "Loss on Reacquired Debt" below for additional information.

The regulatory assets for Dresden Unit 1 and Zion Units 1 and 2 represent unrecovered nuclear decommissioning costs, which are expected to be recovered over the periods 2000-2011 and 2000-2013, respectively, through future rate recoveries and related trust fund earnings. See "Depreciation, Amortization of Regulatory Assets and Liabilities and Decommissioning" below for additional information.

Depreciation, Amortization of Regulatory Assets and Liabilities, and Decommissioning. Depreciation, amortization of regulatory assets and liabilities, and decommissioning for the three months, nine months and twelve months ended September 30, 2000 and 1999 were as follows:

	Three Months Ended September 30		Nine Months Ended September 30		Twelve Months Ended September 30	
	2000	1999	2000	1999	2000	1999
	(Thousands of Dollars)					
Depreciation expense....	$ 171,820	$ 180,598	$506,432	$538,623	$ 594,046	$ 714,518
Amortization of regulatory assets and liabilities--net.......	37,439	556	262,562	98,900	296,853	131,393
	$ 209,259	$ 181,154	$768,994	$637,523	$ 890,899	$ 845,911
Decommissioning expense.	20,955	20,955	62,865	62,865	83,820	83,820
	$ 230,214	$ 202,109	$831,859	$700,388	$ 974,719	$ 929,731

The regulatory asset amortization recorded in the recent three, nine and twelve month periods represent amounts calculated in accordance with the earnings cap provisions of the 1997 Act.

Consistent with the provisions of the 1997 Act, the (pre-tax) gain on the December 1999 sale of Fossil Plant assets of $2.587 billion resulted in a regulatory liability, which was used to recover

regulatory assets. Therefore, the gain on the sale, excluding $43 million of amortization of investment tax credits, was recorded as a regulatory liability in the amount of $2.544 billion and amortized in the fourth quarter of 1999. The amortization of the regulatory liability and additional regulatory asset amortization of $2.456 billion are reflected in depreciation and amortization expense on Unicom's Statements of Consolidated Operations and resulted in a net reduction to depreciation and amortization expense of $88 million in the fourth quarter of 1999.

See Note 3 for additional information regarding amortization of regulatory assets with respect to limits on ComEd's earnings due to statutory sharing provisions. See Note 4 for additional information regarding the fossil plant sale.

Provisions for depreciation, including nuclear plant, were at average annual rates of average depreciable utility plant and equipment for the three months, nine months and twelve months ended September 30, 2000 and 1999 as follows:

	Three Months Ended September 30		Nine Months Ended September 30		Twelve Months Ended September 30	
	2000	1999	2000	1999	2000	1999
Average annual depreciation rates.....	2.70%	2.65%	2.70%	2.65%	2.69%	2.67%

Nuclear plant decommissioning costs generally are accrued over the current NRC license lives of the related nuclear generating units. The accrual is based on an annual levelized cost of the unrecovered portion of estimated decommissioning costs, which are escalated for expected inflation to the expected time of decommissioning and are net of expected earnings on the trust funds. Dismantling is expected to occur relatively soon after the end of the current NRC license life of each generating station currently operating. The accrual for decommissioning is based on the prompt removal method authorized by NRC guidelines. ComEd's ten operating units have remaining current NRC license lives ranging from 9 to 28 years. ComEd's Zion Station and Dresden Unit 1 are retired and are expected to be dismantled beginning in the years 2014 and 2011, respectively, which is consistent with the regulatory treatment for recovery of the related decommissioning costs.

Based on ComEd's most recent study, decommissioning costs are estimated to be $5.6 billion in current-year (2000) dollars, including a contingency allowance. These expenditures are expected to occur primarily during the period from 2010 through 2034. All such costs are expected to be funded by the external decommissioning trusts, which ComEd established in compliance with Illinois law and into which ComEd has been making annual contributions. Future decommissioning cost estimates may be significantly affected by the adoption of, or changes to NRC regulations, as well as changes in the assumptions used in making such estimates, including changes in technology, available alternatives for the disposal of nuclear waste and inflation.

Since 1995, ComEd has collected decommissioning costs from its ratepayers in conjunction with a rider to its tariffs. The rider allows annual adjustments to decommissioning cost collections outside the context of a traditional rate proceeding and will continue under the 1997 Act. The ICC has approved ComEd's current funding plan, which provides for annual contributions of current accruals and ratable contributions of past accruals over the remaining current NRC license lives of the nuclear plants.

ComEd is undertaking steps to transfer its nuclear generating assets, including the decommissioning trust funds, to a generation and power marketing subsidiary of Exelon ("Genco"), following the merger with PECO. On August 3, 2000 the NRC approved the request of ComEd and PECO to transfer licenses for both companies' nuclear plants from ComEd and PECO to Genco.

As part of the transfer of the nuclear generating stations, Genco is to assume responsibility for the decommissioning of those stations, including Zion Station and Dresden Unit 1, subject to an obligation of ComEd to continue to collect decommissioning-related charges from its customers. In May 2000, ComEd filed a petition with the ICC seeking approval to revise its existing decommissioning rider to its rates. Under the proposed revision, ComEd would collect approximately $121 million annually for a period of six years, after which the decommissioning rider and collection of decommissioning funds would end. On October 25, 2000, an ICC hearing examiner issued a proposed order denying ComEd's petition on the basis that existing law does not allow the ICC to authorize ComEd to continue to collect funds for decommissioning nuclear generating plants that it no longer owns. ComEd believes that the proposed order is wrong as a matter of law and that the ICC has the statutory authority to grant ComEd's petition. The ICC is not bound by the proposed order and may accept or reject it, in whole or in part, in preparing its final order in the proceedings. Responses from the parties to the proceedings regarding the proposed order are due in early November and a final order is expected before year-end. ComEd is evaluating the effect of the proposed order on the proposed structure of the Genco transaction. The transfer of the nuclear assets, including the decommissioning trust funds, are subject to satisfactory resolution of significant regulatory and tax issues. Although ComEd cannot currently determine whether an alternative funding structure will ultimately be approved and implemented, such a structure could increase the decommissioning cost recovery risk. See Note 2 for additional information on the merger of Unicom and PECO.

For the ten operating nuclear units, decommissioning cost accruals are recorded as portions of depreciation expense and accumulated provision for depreciation on the Statements of Consolidated Operations and the Consolidated Balance Sheets, respectively, as such costs are recovered through rates. As of September 30, 2000, the total decommissioning costs included in the accumulated provision for depreciation were $2,197 million.

For ComEd's retired nuclear units, the total estimated liability for nuclear decommissioning in current-year (2000) dollars is recorded as a noncurrent liability. The unrecovered portion of the liability is recorded as a regulatory asset. The nuclear decommissioning liability for retired plants as of September 30, 2000 was as follows:

	Dresden Unit 1	Zion Units 1 and 2	Total
	(Thousands of Dollars)		
Amounts recovered through rates and investment fund earnings	$124,394	$478,289	$ 602,683
Unrecovered portion of the liability	189,506	495,811	685,317
Nuclear decommissioning liability for retired plants	$313,900	$974,100	$1,288,000

Under Illinois law, decommissioning cost collections are required to be deposited into external trusts. Consequently, such collections do not add to the cash flows available for general corporate purposes. The fair value of funds accumulated in the external trusts at September 30, 2000 was $2,662 million, which includes pre-tax unrealized appreciation of $702 million. The earnings on the external trusts for operating plants accumulate in the fund balance and accumulated provision for depreciation. Nuclear decommissioning funding as of September 30, 2000 was as follows:

	(Thousands of Dollars)
Amounts recovered through rates and investment fund earnings for operating plants (included in the accumulated provision for depreciation)	$2,196,811
Amounts recovered through rates and investment fund earnings for retired plants	602,683
Less past accruals not yet contributed to the trusts	137,474
Fair value of external trust funds	$2,662,020

In February 2000, the FASB issued an exposure draft addressing the accounting for asset removal costs, including those relating to nuclear decommissioning. The exposure draft would require companies to recognize the entire decommissioning liability on the balance sheet when the liability is incurred very early in the operating life of the generating station, rather than ratably over the operating life of the station as is the current industry accounting practice. The cost basis of the related nuclear power plant would be increased by a corresponding amount at the time the liability is recorded and depreciated over the operating life. Although over the life of the stations total decommissioning provisions would approximate the total amount recognized over the life of the stations under current electric utility accounting practices, amounts for interim years could increase or decrease from currently expected decommissioning provisions. However, ComEd does not believe such changes will adversely impact results of operations due to the ability to recover decommissioning costs through rates. The exposure draft is proposed to be effective for financial statements issued for fiscal years beginning after June 15, 2001. A final statement is expected to be issued during the first quarter of 2001.

Customer Receivables and Revenues. ComEd is engaged principally in the production, purchase, transmission, distribution and sale of electricity to a diverse base of residential, commercial, industrial and wholesale customers. ComEd's electric service territory has an area of approximately 11,300 square miles and an estimated population of approximately eight million as of September 30, 2000. It includes the City, an area of about 225 square miles with an estimated population of approximately three million from which ComEd derived approximately 30 percent of its ultimate consumer revenues in 1999. ComEd had approximately 3.5 million electric customers at September 30, 2000. Revenues are recognized as electric and delivery services are provided to customers.

As a result of the implementation of a new customer billing and information system in July 1998, billing and collection delays temporarily increased accounts receivable from customers. In December 1998 and June 1999, ComEd recorded increased provisions for uncollectible accounts to recognize the estimated portion of the receivables that are not expected to be recoverable. Such provisions increased O&M expenses by $35 million in the twelve months ended September 30, 1999, compared to normally expected levels. Receivables from customers include $53 million and $103 million as of September 30, 2000 and December 31, 1999, respectively, in estimated unbilled revenue for service that has been provided to customers, but for which bill issuance was delayed beyond the normal date of issuance. Receivables from customers as of September 30, 2000 and December 31, 1999 also include $321 million and $295 million, respectively, for estimated unbilled revenues for electric service that has been provided to customers subsequent to the normal billing date and prior to the end of the reporting period. See "Use of Estimates" above for additional information regarding ComEd's revenues and net receivables.

See Note 3 for additional information.

Nuclear Fuel. The cost of nuclear fuel is amortized to fuel expense based on the quantity of heat produced using the unit of production method. As authorized by the ICC, provisions for spent nuclear fuel disposal costs have been recorded at a level required to recover the fee payable on the current nuclear-generated and sold electricity and the current interest accrual on the one-time fee payable to the DOE for nuclear generation prior to April 7, 1983. The one-time fee and interest thereon have been recovered and the current fee and interest on the one-time fee are presently being recovered through base rates. See Note 13 for additional information concerning the disposal of spent nuclear fuel, one-time fee and interest accrual on the one-time fee. Nuclear fuel expenses, including leased fuel costs

and provisions for spent nuclear fuel disposal costs, were $97 million and $107 million for the three months ended September 30, 2000 and 1999, respectively, $294 million and $288 million for the nine months ended September 30, 2000 and 1999, respectively, and $386 million and $372 million for the twelve months ended September 30, 2000 and 1999, respectively.

Income Taxes. Deferred income taxes are provided for income and expense items recognized for financial accounting purposes in periods that differ from those for income tax purposes. Income taxes deferred in prior years are charged or credited to income as the book/tax temporary differences reverse. Prior years' deferred investment tax credits are amortized through credits to income generally over the lives of the related property. Income tax credits resulting from interest charges applicable to nonoperating activities, principally construction, are classified as other income.

AFUDC and Interest Capitalized. In accordance with the uniform systems of accounts prescribed by regulatory authorities, ComEd capitalizes AFUDC, compounded semiannually, which represents the estimated cost of funds used to finance its construction program for the non-generation portion of its business. The equity component of AFUDC is recorded on an after-tax basis and the borrowed funds component of AFUDC is recorded on a pre-tax basis. The average annual capitalization rates for AFUDC were 8.29% and 7.87% for the three months ended September 30, 2000 and 1999, respectively, 8.29% and 7.85% for the nine months ended September 30, 2000 and 1999, respectively, and 8.14% and 7.92% for the twelve months ended September 30, 2000 and 1999, respectively. In accordance with SFAS No. 34, Capitalization of Interest Cost, ComEd capitalized $2 million and $4 million for the three months ended September 30, 2000 and 1999, respectively, $4 million and $16 million for the nine months ended September 30, 2000 and 1999, respectively, and $10 million and $31 million for the twelve months ended September 30, 2000 and 1999, respectively, in interest costs on its generation-related construction work in progress and nuclear fuel in process. AFUDC and interest capitalized do not contribute to the current cash flow of Unicom or ComEd.

Interest. Total interest costs incurred on debt, leases and other obligations were $160 million and $160 million for the three months ended September 30, 2000 and 1999, respectively, $473 million and $484 million to the nine months ended September 30, 2000 and 1999, respectively, and $631 million and $611 million for the twelve months ended September 30, 2000 and 1999, respectively.

Debt Discount, Premium and Expense. Discount, premium and expense on long-term debt of ComEd are being amortized over the lives of the respective issues.

Loss on Reacquired Debt. Consistent with regulatory treatment, the net loss from ComEd's reacquisition, in connection with the refinancing of first mortgage bonds, sinking fund debentures and pollution control obligations prior to their scheduled maturity dates, is deferred and amortized over the lives of the long-term debt issued to finance the reacquisition for non-generation related financings. See "Regulatory Assets and Liabilities" above and Note 3 for additional information.

Stock Option Awards/Employee Stock Purchase Plan. Unicom has elected to adopt SFAS No. 123, Accounting for Stock-Based Compensation, for disclosure purposes only. Unicom accounts for its stock option awards and ESPP under APB Opinion No. 25, Accounting for Stock Issued to Employees. See Note 7 for additional information.

Average Common Shares Outstanding. The number of average outstanding common shares used to compute basic and diluted EPS for the three months, nine months and twelve months ended September 30, 2000 and 1999 were as follows:

	Three Months Ended September 30		Nine Months Ended September 30		Twelve Months Ended September 30	
	2000	1999	2000	1999	2000	1999
	(Thousands of Shares)					
Average Number of Common Shares Outstanding:						
Average Number of Common Shares--Basic..	174,003	217,375	180,739	217,231	189,935	217,208
Potentially Dilutive Common Shares--Treasury Method:						
Stock Options........	1,595	801	1,025	777	899	777
Other Convertible Securities..........	86	89	86	89	86	89
Average Number of Common Shares--Diluted........	175,684	218,265	181,850	218,097	190,920	218,074

Energy Risk Management Contracts. In the normal course of business, ComEd utilizes contracts for the forward sale and purchase of energy to manage effectively the utilization of its available generating capability. ComEd also utilizes put and call option contracts and energy swap arrangements to limit the market price risk associated with the forward commodity contracts. As ComEd does not currently utilize financial or commodity instruments for trading or speculative purposes, any gains or losses on forward commodity contracts are recognized when the underlying transactions affect earnings. Revenues and expenses associated with market price risk management contracts are amortized over the terms of such contracts.

In June 1998, the FASB issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, which establishes accounting and reporting standards requiring that every derivative instrument, including certain derivative instruments embedded in other contracts, be recorded on the Consolidated Balance Sheets as either an asset or liability measured at its fair value. In June 2000, FASB issued SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities, as an amendment of SFAS No. 133. SFAS No. 133, as amended, requires that changes in the derivative's fair value be recognized currently in earnings, unless specific hedge accounting criteria are met. The accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item on the Statements of Consolidated Operations, and requires companies to formally document, designate, and assess the effectiveness of transactions that receive hedge accounting.

The effective date of SFAS No. 133, as amended, has been delayed for one year, to fiscal years beginning after June 15, 2000. SFAS No. 133. SFAS No. 133, as amended, must be applied to (i) derivative instruments and (ii) certain derivative instruments embedded in hybrid contracts that were issued, acquired, or substantively modified after January 1, 1998 or January 1, 1999 at the Company's election.

Unicom and ComEd will adopt SFAS No. 133 on January 1, 2001, and are in the final process of reviewing their various contracts to determine which contracts need to be reflected as derivatives under the standard and accounted for at fair value. Among the contracts that are expected to be subject to the

fair value requirements are contracts related to electricity and gas purchases and sales. Unicom and ComEd have not fully quantified the effects on their financial statements of adopting SFAS No. 133 on January 1, 2001. The ultimate impact will depend upon market prices, at the time of adoption, for electricity and gas. Adoption of SFAS No. 133 in 2001 will result in increased volatility in earnings.

Reclassifications. Certain prior year amounts have been reclassified to conform with current period presentation. These reclassifications had no effect on operating results.

Cash Held for Redemption of Securities. As of September 30, 2000, the cash held for redemption of securities reported on the Consolidated Balance Sheets includes $72 million of escrowed cash and pending instrument funding charges collected from ComEd customers to be applied to the principal and interest payment on the transitional trust notes. See Note 3 for additional information.

Investment in Leases. In June 2000, Unicom Investment entered into a like-kind exchange transaction utilizing proceeds from the December 1999 sale of fossil generating stations. Under the transaction, Unicom Investment invested approximately $1.6 billion, previously classified as special deposits, in passive generating station leases with two separate entities. The generating stations were leased back to such entities as part of the transaction. For financial accounting purposes, the investments are accounted for as direct financing lease investments. Under the terms of the lease agreements, Unicom Investment will receive prepayments of its scheduled lease payments of about $1.24 billion in the fourth quarter of 2000 which will reduce the outstanding lease investment at that time.

The components of the net investment in the direct financing leases as of September 30, 2000 are as follows:

	(Thousands of Dollars)
Total minimum lease payments	$2,727,233
Less: Unearned income	1,096,172
	$1,631,062

Goodwill. Goodwill represents the excess of the purchase consideration over the fair value of the net assets of the companies or natural gas service contracts acquired by subsidiaries of Unicom Enterprises. Goodwill arising from such acquisitions is generally being amortized on a straight-line basis over 40 years for goodwill arising from the acquisition of established mechanical services companies and over 10 to 15 years for the goodwill arising from the acquisition of performance contracting companies and natural gas service contracts.

Statements of Consolidated Cash Flows. For purposes of the Statements of Consolidated Cash Flows, temporary cash investments, generally investments maturing within three months at the time of purchase, and cash held for redemption of securities are considered to be cash equivalents. Supplemental cash flow information for the three months, nine months and twelve months ended September 30, 2000 and 1999 was as follows:

	Three Months Ended September 30		Nine Months Ended September 30		Twelve Months Ended September 30	
	2000	1999	2000	1999	2000	1999
	(Thousands of Dollars)					
Supplemental Cash Flow Information:						
Cash paid during the period for:						
Interest (net of amount capitalized).	$143,101	$158,363	$ 411,261	$485,881	$ 532,195	$572,934
Income taxes (net of refunds)...........	$ 28,080	$140,915	$1,114,302	$225,022	$1,344,460	$484,873
Supplemental Schedule of Non-Cash Investing and Financing Activities:						
Capital lease obligations incurred by subsidiary companies............	$ --	$ 189	$ 34	$ 1,625	$ 154	$ 3,062

(2) Merger Agreement. On October 19, 2000, Unicom and PECO received approval from the Securities and Exchange Commission under the Public Utilities Holding Company Act of 1935, the last regulatory approval, to complete their merger to form Exelon Corporation. The companies completed the merger on October 20, 2000 and began trading as Exelon Corporation (NYSE: EXC) on October 23, 2000.

Upon completion of the merger, PECO and ComEd became the principal utility subsidiaries of Exelon. This result was achieved by a mandatory exchange of the outstanding common stock of PECO for common stock of Exelon, and a subsequent merger of Unicom with and into Exelon wherein holders of Unicom common stock received 0.875 shares of Exelon common stock plus $3.00 in cash for each of their shares of Unicom common stock. The merger transaction will be accounted for as a purchase of Unicom by PECO.

Consistent with Unicom's $1 billion share repurchase commitment in the merger agreement with PECO, Unicom has completed the repurchase of 24 million shares of its common stock. The shares were repurchased from the open market over the recent ten months pursuant to agreements with financial institutions. Approximately $153 million of these share repurchases were funded with proceeds from the 1998 issuance of transitional trust notes. The remaining share repurchases were funded from available funds, including funds ultimately resulting from the fossil plant sale. These share repurchases are in addition to 26.3 million shares of Unicom common stock that Unicom repurchased in January 2000 upon settlement of certain forward purchase contracts. See Notes 6 and 23 for additional information.

ComEd and PECO are undertaking steps to transfer their generating assets and wholesale power marketing operations to subsidiaries following the consummation of the merger. Subsequent to those transfers, these subsidiaries will be transferred to Exelon and ultimately will be combined into a power generation and marketing company, which will be a direct subsidiary of Exelon ("Genco"). In ComEd's case, the transfer will include its Braidwood, Byron, Dresden, LaSalle and Quad Cities nuclear generating stations representing an aggregate generating capability of 9,566 megawatts, its Zion station, its rights and obligations under various power purchase agreements, the assets constituting its nuclear decommissioning trusts and its wholesale power marketing business. Genco will enter into a power purchase agreement with ComEd in which Genco will undertake to supply ComEd's full requirements for electric energy through 2004 and all of ComEd's requirements up to the available capacity of the nuclear generating stations in 2005 and 2006. On August 3, the NRC approved the request of ComEd and PECO to transfer licenses for both companies' nuclear plants from ComEd and PECO to Genco.

As part of the transfer of the nuclear generating stations, Genco is to assume responsibility for the decommissioning of those stations, including Zion Station and Dresden Unit 1, subject to an obligation of ComEd to continue to collect decommissioning-related charges from its customers. In May 2000, ComEd filed a petition with the ICC seeking approval to revise its existing decommissioning rider to its rates. Under the proposed revision, ComEd would collect approximately $121 million annually for a period of six years, after which the decommissioning rider and collection of decommissioning funds would end. On October 25, 2000, an ICC hearing examiner issued a proposed order denying ComEd's petition on the basis that existing law does not allow the ICC to authorize ComEd to continue to collect funds for decommissioning nuclear generating plants that it no longer owns. ComEd believes that the proposed order is wrong as a matter of law and that the ICC has the statutory authority to grant ComEd's petition. The ICC is not bound by the proposed order and may accept or reject it, in whole or in part, in preparing its final order in the proceedings. Responses from the parties to the proceedings regarding the proposed order are due in early November and a final order is expected before year-end. ComEd is evaluating the effect of the proposed order on the proposed structure of the Genco transaction. The transfer of the nuclear assets, including the decommissioning trust funds, are subject to satisfactory resolution of significant regulatory and tax issues.

(3) Accounting Effects Related to the 1997 Act. In December 1997, the Governor of Illinois signed into law the 1997 Act, which established a phased process to introduce competition into the electric industry in Illinois under a less regulated structure. The 1997 Act was amended in June 1999.

As a result of the 1997 Act and FERC rules, prices for the supply of electric energy are expected to transition from cost-based, regulated rates to rates determined by competitive market forces. Accordingly, the 1997 Act provides for, among other things, gradual customer access to other electric suppliers or a power purchase option which allows the purchase of electric energy from ComEd at market based prices, and the collection of a CTC from customers who choose to purchase electric energy from a RES or elect the power purchase option during a transition period that extends through 2006. Effective October 1, 1999, the CTC was established in accordance with a formula defined in the 1997 Act. The CTC, which is applied on a cents per kilowatthour basis, considers the revenue which would have been collected from a customer under tariffed rates, reduced by the revenue the utility will receive for providing delivery services to the customer, the market price for electricity and a defined mitigation factor, which represents the utility's opportunity to develop new revenue sources and achieve cost savings. The CTC allows ComEd to recover some of its costs which might otherwise be unrecoverable under market-based rates. Nonetheless, ComEd will need to take steps to address the portion of such costs which are not recoverable through the CTC. Such steps may include cost control efforts, developing new sources of revenue and asset dispositions. See Note 4 for additional information.

As of June 1, 2000, more than 62,000 non-residential customers are eligible to choose a new electric supplier or elect the purchase power option. As of September 30, 2000, over 7,800 non-residential customers, representing approximately 18 percent of ComEd's retail kilowatthour sales for the twelve months prior to the introduction of open access, elected to receive their electric energy from a RES or chose the purchase power option. The impact of customer choice on results of operations will depend on various factors, including the extent to which customers elect to receive energy from a RES or the purchased power option, the development of a competitive market, the market price for energy, the extent to which ComEd develops new sources of revenue and the results of cost control efforts. Because of the inherent uncertainty in these factors ComEd is unable to predict the long term impact of customer choice on results of operations. However, ComEd does not expect customer choice to have a material effect in the near term as a result of the collection of CTCs as provided by the 1997 Act.

Utilities are required to continue to offer delivery services, including the transmission and distribution of electric energy, such that customers who select a RES can receive electric energy from that supplier using existing transmission and distribution facilities. Such services will continue to be offered under cost-based, regulated rates. The ICC issued orders in August and September 1999 approving, with modifications, ComEd's delivery service tariffs.

The 1997 Act also provides for a 15% residential base rate reduction which became effective August 1, 1998 and an additional 5% residential base rate reduction in October 2001. ComEd's operating revenues were reduced by approximately $170 million in 1998 due to the 15% residential base rate reduction. The 15% rate reduction further reduced ComEd's operating revenues by approximately $226 million in 1999, compared to 1998 rate levels.

Notwithstanding the rate reductions and subject to certain earnings tests, a rate freeze will generally be in effect until at least January 1, 2005. During this period, utilities may reorganize, sell or assign assets, retire or remove plants from service, and accelerate depreciation or amortization of assets with limited ICC regulatory review. A utility may request a rate increase during the rate freeze period only when necessary to ensure the utility's financial viability. Under the earnings provision of the 1997 Act, if the earned return on common equity of a utility during this period exceeds an established threshold, one-half of the excess earnings must be refunded to customers. The threshold rate of return on common equity is based on the 30-Year Treasury Bond rate, plus 5.5% in the years 1998 and 1999, and plus 8.5% in the years 2000 through 2004. The utility's earned return on common equity and the threshold return on common equity for ComEd are each calculated on a two-year average basis. The earnings sharing provision is applicable only to ComEd's earnings. Consistent with the provisions of the 1997 Act, increased amortization of regulatory assets may be recorded, thereby reducing the earned return on common equity, if earnings otherwise would have exceeded the maximum allowable rate of return. The potential for earnings sharing or increased amortization of regulatory assets could limit earnings in future periods. ComEd's returns on average common equity for the years 1999 and 1998 were 11.56% and 10.86%, respectively. The average return of 11.21% for the two year period ended December 31, 1999 equaled the threshold return for that period under the earnings provisions of the 1997 Act. ComEd does not currently expect to trigger the earnings sharing provisions of the 1997 Act in the years 2000 through 2004.

The 1997 Act also allows a portion of ComEd's future revenues to be segregated and used to support the issuance of securities by ComEd or a SPE. The proceeds, net of transaction costs, from such security issuances must be used to refinance outstanding debt or equity or for certain other limited purposes. In December 1998, ComEd initiated the issuance of $3.4 billion of transitional trust notes through its SPEs, ComEd Funding and ComEd Funding Trust. The proceeds from the transitional trust notes, net of transaction costs, were used to redeem long-term debt and preference stock and reduce ComEd's outstanding short-term debt, as required. Unicom has also repurchased its common stock using proceeds it received from ComEd's repurchase of its common stock held by Unicom. The balance of the proceeds were used for the payment of fees and other debt issuance costs and a collateral requirement related to the transitional trust notes.

(4) Fossil Plant Sale. In December 1999, ComEd completed the sale of its fossil generating assets to EME for a cash purchase price of $4.8 billion. The fossil generating assets represent an aggregate generating capacity of approximately 9,772 megawatts.

Just prior to the consummation of the fossil plant sale, ComEd transferred these assets to an affiliate, Unicom Investment. In consideration for the transferred assets, Unicom Investment paid ComEd consideration totalling approximately $4.8 billion in the form of a demand note in the amount

of approximately $2.4 billion and an interest-bearing note with a maturity of twelve years. Unicom Investment immediately sold the fossil plant assets to EME, in consideration of which Unicom Investment received approximately $4.8 billion in cash from EME. Immediately after its receipt of the cash payment from EME, Unicom Investment paid the $2.4 billion aggregate principal due to ComEd under the demand note. Unicom Investment will use the remainder of the cash received from EME to fund other business opportunities, including the share repurchases. Of the cash received by ComEd, $1.5 billion has been used to pay the costs and taxes associated with the fossil plant sale, including ComEd's contribution of $250 million of the proceeds to an environmental trust as required by the 1997 Act. The remainder of the demand note proceeds will be available to ComEd to fund, among other things, transmission and distribution projects, nuclear generation station projects, and environmental and other initiatives. See Note 1, under "Investment in Leases," for additional information.

The sale produced an after-tax gain of approximately $1.6 billion, after recognizing commitments associated with certain coal contracts ($350 million), recognizing employee-related costs ($112 million) and contributing to the environmental trust. The coal contract costs include the amortization of the remaining balance of ComEd's regulatory asset for unrecovered coal reserves of $178 million and the recognition of $172 million of settlement payments related to the above-market portion of coal purchase commitments ComEd assigned to EME at market value upon completion of the fossil plant sale. The severance costs included pension and post-retirement welfare benefit curtailment and special termination benefit costs of $51 million and transition, separation and retention payments of $61 million. A total of 1,730 fossil station employee positions were eliminated upon completion of the fossil plant sale on December 15, 1999. The employees whose positions were eliminated have been terminated. Consistent with the provisions of the 1997 Act, the (pre-tax) gain on the sale of $2.587 billion resulted in a regulatory liability, which was used to recover regulatory assets. Therefore, the gain on the sale, excluding $43 million of amortization of investment tax credits, was recorded as a regulatory liability in the amount of $2.544 billion and amortized in the fourth quarter of 1999. The amortization of the regulatory liability and additional regulatory asset amortization of $2.456 billion are reflected in depreciation and amortization expense on Unicom's Statement of Consolidated Operations. See Note 1, under "Regulatory Assets and Liabilities," for additional information.

(5) Authorized Shares, Voting Rights and Stock Rights of Capital Stock. At September 30, 2000, Unicom's authorized shares consisted of 400,000,000 shares of common stock. The authorized shares of ComEd preferred and preference stocks at September 30, 2000 were: preference stock--6,810,451 shares and prior preferred stock--850,000 shares. The preference and prior preferred stocks are issuable in series and may be issued with or without mandatory redemption requirements.

Pursuant to a plan adopted by the Unicom Board of Directors on February 2, 1998, each share of Unicom's common stock carries the right (referred to herein as a "Right") to purchase one-thousandth of one share of Unicom's common stock at a purchase price of $100 per whole share of common stock, subject to adjustment. The plan was amended on September 22, 1999 to render the Rights inapplicable to the transactions contemplated by the Merger Agreement. The Rights are tradable only with Unicom's common stock until they become exercisable. The Rights become exercisable upon the earlier of ten days following a public announcement that a person (an "Acquiring Person") has acquired 15% or more of Unicom's outstanding common stock or ten business days (or such later date as may be determined by action of the Board of Directors) following the commencement of a tender or exchange offer which, if consummated, would result in a person or group becoming an Acquiring Person. The Rights are subject to redemption by Unicom at a price of $0.01 per Right, subject to certain limitations, and will expire on February 2, 2008. If a person or group becomes an Acquiring

stock at a 50% discount from the then current market price. If Unicom is acquired in a merger or other business combination transaction in which Unicom is not the survivor, or 50% or more of Unicom's assets or earning power is sold or transferred, each holder of a Right shall then have the right to receive, upon exercise, common stock of the acquiring company at a 50% discount from the then current market price of such common stock. Rights held by an Acquiring Person become void upon the occurrence of such events.

(6) Common Equity. In January 2000, Unicom physically settled the forward share repurchase arrangements it had with financial institutions for the repurchase of 26.3 million Unicom common shares. Prior to settlement, the repurchase arrangements were recorded as a receivable on Unicom's Consolidated Balance Sheets based on the aggregate market value of the shares under the arrangements. In 1999, net unrealized losses of $44 million (after-tax), or $0.20 per common share were recorded related to the arrangements. The settlement of the arrangements in January 2000 resulted in a gain of $113 million (after-tax), which was recorded in the first quarter of 2000. The settlement of the arrangements resulted in a reduction in Unicom's outstanding common shares and common stock equity effective January 2000.

Consistent with Unicom's $1 billion share repurchase commitment in the merger agreement with PECO, Unicom has completed the repurchase of 24 million shares of its common stock. The shares were repurchased from the open market over the recent ten months pursuant to agreements with financial institutions. Approximately $153 million of the share repurchases were funded with proceeds from the 1998 issuance of transitional trust notes.

At September 30, 2000, shares of Unicom common stock were reserved for the following purposes:

Long-Term Incentive Plan	1,041,015
Employee Stock Purchase Plan	284,940
Shareholder Rights Plan	400,000
Exchange for ComEd common stock not held by Unicom	86,040
1996 Directors' Fee Plan	135,791
	1,947,786

Common stock issued/(reacquired) for the three months, nine months and twelve months ended September 30, 2000 and 1999 was as follows:

	Three Months Ended September 30		Nine Months Ended September 30		Twelve Months Ended September 30	
	2000	1999	2000	1999	2000	1999
Shares of Common Stock Issued/(Reacquired):						
Long-Term Incentive Plan	520,842	154,971	1,190,748	388,186	1,254,063	510,850
Employee Stock Purchase Plan	--	--	38,857	45,126	83,231	86,884
Exchange for ComEd common stock not held by Unicom	590	--	1,610	(3,330)	2,486	1,727
1996 Directors' Fee Plan	1,085	739	26,668	4,087	28,102	7,088
Treasury Stock	(7,798,100)	--	(49,444,000)	--	(49,444,000)	--
	(7,275,583)	155,710	(48,186,117)	434,069	(48,076,118)	606,549

	Three Months Ended September 30		Nine Months Ended September 30		Twelve Months Ended September 30	
	2000	1999	2000	1999	2000	1999
	(Thousands of Dollars)					
Changes in Common Stock Accounts:						
Total shares issued....	$ 18,492	$ 3,756	$ 30,935	$ 8,533	$ 43,691	$ 14,463
Net cash settlement of forward share repurchase contract........	--	--	--	(16,454)	--	(16,454)
Share repurchases......	(374,434)	--	(1,953,008)	--	(1,953,008)	--
Shares held by trustee for Unicom Stock Bonus Deferral Plan.........	--	--	--	--	--	7,428
Other..................	(27)	7	78	144	87	(51)
	$ (355,969)	$ 3,763	$(1,921,995)	$ (7,777)	$(1,909,230)	$ 5,386

At September 30, 2000 and December 31, 1999, 75,082 and 75,692, respectively, ComEd common stock purchase warrants were outstanding. The warrants entitle the holders to convert such warrants into common stock of ComEd at a conversion rate of one share of common stock for three warrants.

(7) Stock Option Awards/Employee Stock Purchase Plan. Unicom has a nonqualified stock option awards program under its Long-Term Incentive Plan. The stock option awards program was adopted by Unicom in July 1996 to reward valued employees responsible for, or contributing to, the management, growth and profitability of Unicom and its subsidiaries. The stock options granted expire ten years from their grant date. One-third of the shares subject to the options vest on each of the first three anniversaries of the option grant date. In addition, the stock options will become fully vested immediately if the holder dies, retires, is terminated by the Company, other than for cause, or qualifies for long-term disability. Options granted before July 22, 1998 also vest in full upon a change in control, while options granted on or after July 22, 1998 vest in full if the option holder is terminated within 24 months after a change of control.

Stock option transactions through September 30, 2000 are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding as of December 31, 1997................	2,291,378	$23.810
Granted during the year...........................	1,379,525	35.234
Exercised during the year..........................	(404,082)	24.244
Expired/cancelled during the year.................	(123,928)	25.715
Outstanding as of December 31, 1998................	3,142,893	28.694
Granted during the year...........................	1,853,050	35.750
Exercised during the year..........................	(313,231)	24.102
Expired/cancelled during year......................	(179,076)	33.551
Outstanding as of December 31, 1999................	4,503,636	31.723
Granted during the nine months ended September 30, 2000...	2,213,100	37.063
Exercised during the nine months ended September 30, 2000...	(874,785)	27.834
Expired/cancelled during the nine months ended September 30, 2000..................................	(140,598)	35.710
Outstanding as of September 30, 2000..............	5,701,353	34.294

Of the stock options outstanding at September 30, 2000, 2,075,749 had vested with a weighted average exercise price of $30.77.

The fair value of each stock option is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	Stock Option Grant Date		
	2000	1999	1998
Expected option life	7 years	7 years	7 years
Dividend yield	4.30%	4.50%	4.54%
Expected volatility	21.97%	23.02%	21.95%
Risk-free interest rate	6.76%	4.83%	5.58%

The estimated weighted average fair value for each stock option granted in the first three quarters of 2000 and in 1999 and 1998 was $8.19, $6.48 and $6.62, respectively.

The ESPP was terminated on June 28, 2000 by Unicom's Board of Directors in anticipation of the merger with PECO. The ESPP allowed employees to purchase Unicom common stock at a ten percent discount from market value. Substantially all of the employees of Unicom, ComEd and their subsidiaries were eligible to participate in the ESPP. Unicom issued 83,231 and 86,884 shares of common stock for the twelve months ended September 30, 2000 and 1999, respectively, under the ESPP at a weighted average annual purchase price of $35.02 and $34.34, respectively.

Unicom has adopted the disclosure-only provisions of SFAS No. 123. For financial reporting purposes, Unicom has adopted APB No. 25 and has taken into consideration FASB Interpretation No. 44 of APB No. 25, and thus no compensation cost has been recognized for the stock option awards program or ESPP. If Unicom had recorded compensation expense for the stock options granted and the shares of common stock issued under the ESPP in accordance with SFAS No. 123 using the fair value based method of accounting, the additional charge to operations would have been $4 million (after-tax), or $0.02 per common share (diluted), and $4 million (after-tax), or $0.02 per common share (diluted), for the twelve months ended September 30, 2000 and 1999, respectively.

(8) ComEd Preferred and Preference Stocks Without Mandatory Redemption Requirements. During the twelve months ended September 30, 2000 and 1999, no shares and 13,499,549 shares of preferred or preference stock without mandatory redemption requirements were redeemed, respectively, and no shares were issued. All of the outstanding shares of Series $1.425 preferred stock were redeemed on August 1, 2000. The redemption price was $42 per share, plus accrued and unpaid dividends.

(9) ComEd Preference Stock Subject to Mandatory Redemption Requirements. During the twelve months ended September 30, 2000 and 1999, no shares of ComEd preference stock subject to mandatory redemption requirements were issued. During the twelve months ended September 30, 2000 and 1999, 700,000 shares and 1,056,060 shares, respectively, of ComEd preference stock subject to mandatory redemption requirements were reacquired to meet sinking fund requirements or were part of the early redemption in 1999. There were 700,000 shares of Series $6.875 preference stock outstanding at December 31, 1999, at an aggregate stated value of $69 million. This series was non-callable and was redeemed on May 1, 2000.

(10) ComEd-Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trusts Holding Solely ComEd's Subordinated Debt Securities. In September 1995, ComEd Financing I, a wholly-owned subsidiary trust of ComEd, issued 8,000,000 of its 8.48% ComEd-obligated mandatorily redeemable preferred securities. The sole asset of ComEd Financing I is $206.2 million principal amount of ComEd's 8.48% subordinated deferrable interest notes due September 30, 2035. In January 1997, ComEd Financing II, a wholly-owned subsidiary trust of ComEd, issued 150,000 of its 8.50% ComEd-obligated mandatorily redeemable capital securities. The sole asset of ComEd

Financing II is $154.6 million principal amount of ComEd's 8.50% subordinated deferrable interest debentures due January 15, 2027. There is a full and unconditional guarantee by ComEd of the Trusts' obligations under the securities issued by the Trusts. However, ComEd's obligations are subordinate and junior in right of payment to certain other indebtedness of ComEd. ComEd has the right to defer payments of interest on the subordinated deferrable interest notes by extending the interest payment period, at any time, for up to 20 consecutive quarters. Similarly, ComEd has the right to defer payments of interest on the subordinated deferrable interest debentures by extending the interest payment period, at any time, for up to ten consecutive semi-annual periods. If interest payments on the subordinated deferrable interest notes or debentures are so deferred, distributions on the preferred securities will also be deferred. During any deferral, distributions will continue to accrue with interest thereon. In addition, during any such deferral, ComEd may not declare or pay any dividend or other distribution on, or redeem or purchase, any of its capital stock.

The subordinated deferrable interest notes are redeemable by ComEd, in whole or in part, from time to time, on or after September 30, 2000, and with respect to the subordinated deferrable interest debentures, on or after January 15, 2007, or at any time in the event of certain income tax circumstances. If the subordinated deferrable interest notes or debentures are redeemed, the Trusts must redeem preferred securities having an aggregate liquidation amount equal to the aggregate principal amount of the subordinated deferrable interest notes or debentures so redeemed. In the event of the dissolution, winding up or termination of the Trusts, the holders of the preferred securities will be entitled to receive, for each preferred security, a liquidation amount of $25 for the securities of ComEd Financing I and $1,000 for the securities of ComEd Financing II, plus accrued and unpaid distributions thereon, including interest thereon, to the date of payment, unless in connection with the dissolution, the subordinated deferrable interest notes or debentures are distributed to the holders of the preferred securities.

(11) Long-Term Debt. ComEd initiated the issuance of $3.4 billion of transitional trust notes through its SPEs, ComEd Funding and ComEd Funding Trust, in the fourth quarter of 1998. The current amount outstanding is as follows:

Series	Principal Amount (Thousands of Dollars)
5.29% due June 25, 2001	$ 254,541
5.34% due March 25, 2002	258,861
5.39% due June 25, 2003	421,139
5.44% due March 25, 2005	598,511
5.63% due June 25, 2007	761,489
5.74% due December 25, 2008	510,000
	$2,804,541

For accounting purposes, the liabilities of ComEd Funding Trust for the transitional trust notes are reflected as long-term debt on the Consolidated Balance Sheets of Unicom and ComEd.

The proceeds, net of transaction costs, from the transitional trust notes were used, as required, to redeem debt and equity. During 1999, ComEd redeemed or reacquired $1,101 million of long-term debt.

Sinking fund requirements and scheduled maturities remaining through 2004 for ComEd's first mortgage bonds, transitional trust notes, sinking fund debentures and other long-term debt outstanding at September 30, 2000, after deducting deposits made for the retirement of sinking fund debentures, are summarized as follows: 2000--$86 million; 2001--$346 million; 2002--$845 million; 2003--$695 million; and 2004--$577 million.

At September 30, 2000, ComEd's outstanding first mortgage bonds maturing through 2004 were as follows:

Series	Principal Amount (Thousands of Dollars)
7 3/8% due September 15, 2002	$200,000
6 5/8% due July 15, 2003	100,000
5 3/10% due January 15, 2004	26,000
	$326,000

Other long-term debt outstanding at September 30, 2000 is summarized as follows:

Debt Security	Principal Amount (Thousands of Dollars)	Interest Rate
Unicom--		
Loans Payable:		
Loan due January 1, 2003	$ 4,212	Interest rate of 8.31%
Loan due January 1, 2004	5,021	Interest rate of 8.44%
Loan due January 15, 2009	5,228	Interest rate of 8.30%
Loan due January 15, 2009	6,568	Interest rate of 8.55%
Loan due January 15, 2010	3,632	Interest rate of 8.65%
Loan due January 15, 2010	6,880	Interest rate of 8.88%
Loan due July 15, 2010	8,703	Interest rate of 7.98%
	$ 40,244	
ComEd--		
Notes:		
Senior note due September 30, 2002	$ 200,000	Interest rate of 7.158%
Senior note due September 30, 2003	250,000	Interest rate of 7.284%
Medium Term Notes, Series 3N due various dates through October 15, 2004	156,000	Interest rates ranging from 9.17% to 9.20%
Notes due January 15, 2004	150,000	Interest rate of 7.375%
Notes due October 15, 2005	235,000	Interest rate of 6.40%
Notes due January 15, 2007	150,000	Interest rate of 7.625%
Notes due July 15, 2018	225,000	Interest rate of 6.95%
	$1,366,000	
Purchase Contract Obligation due April 30, 2005	$ 254	Interest rate of 3.00%
Total ComEd	$1,366,254	
Unicom Enterprises--		
Notes:		
Unicom Thermal Guaranteed Senior Note due January 31, 2020	$ 28,000	Interest rate of 9.09%
Northwind Midway Guaranteed Senior Note due June 30, 2023	11,423	Interest rate of 7.68%
Unicom Thermal Obligation due April 1, 2015	1,124	Interest rate of 8.00%
Unicom Mechanical Services Notes due various dates through July 15, 2003	156	Interest rate ranging from 8.50% to 9.25%
Total Unicom Enterprises	$ 40,703	
Total Unicom	$1,447,201	

Long-term debt maturing within one year has been included in current liabilities.

ComEd's outstanding first mortgage bonds are secured by a lien on substantially all property and franchises, other than expressly excepted property, owned by ComEd.

Unicom Thermal redeemed the $115.8 million outstanding balance of the 7.38% unsecured guaranteed senior Note on July 12, 2000. Unicom Thermal recorded an extraordinary loss related to early redemption premiums paid and the write-off of unamortized debt expenses, which reduced Unicom's net income on common stock by approximately $3.5 million (after-tax) in the third quarter of 2000.

In May 2000, Northwind Chicago issued $28 million of 9.09% guaranteed senior Notes due January 31, 2020, the proceeds of which will be used primarily to finance certain project construction costs. The Notes were guaranteed by Unicom and included certain covenants with respect to Unicom and Northwind Chicago's operations. Pursuant to Unicom's merger with PECO, Exelon assumed Unicom's guarantee obligation with respect to the Notes as a matter of law.

In June 1999, Northwind Midway issued $11.4 million of 7.68% guaranteed senior Notes due June 2023, the proceeds of which will be used primarily to finance certain project construction costs. The Notes were guaranteed by Unicom and include certain covenants with respect to Unicom and Northwind Midway's operations. Such covenants include, among other things, a requirement that Unicom and its consolidated subsidiaries own no less than 65% of the voting membership interest of Northwind Midway. Pursuant to Unicom's merger with PECO, Exelon assumed Unicom's guarantee obligation with respect to the Notes as a matter of law.

(12) Lines of Credit. ComEd had total unused bank lines of credit of $800 million at September 30, 2000. Of that amount, $500 million expires on December 15, 2000 and $300 million expires on December 17, 2002. The interest rate is set at the time of a borrowing and is based on several floating rate bank indices plus a spread which is dependent upon the credit rating of ComEd's outstanding first mortgage bonds or on a prime interest rate. ComEd is obligated to pay commitment and facility fees with respect to the line of credit.

(13) Disposal of Spent Nuclear Fuel. Under the Nuclear Waste Policy Act of 1982, the DOE is responsible for the selection and development of repositories for, and the disposal of, spent nuclear fuel and high-level radioactive waste. ComEd, as required by that Act, has entered into a contract with the DOE to provide for the disposal of spent nuclear fuel and high-level radioactive waste from ComEd's nuclear generating stations. The contract with the DOE requires ComEd to pay the DOE a one-time fee applicable to nuclear generation through April 6, 1983 of $277 million, with interest to date of payment, and a fee payable quarterly equal to one mill per kilowatthour of nuclear-generated and sold electricity after April 6, 1983. Pursuant to the contract, ComEd has elected to pay the one-time fee, with interest, just prior to the first delivery of spent nuclear fuel to the DOE. The liability for the one-time fee and the related interest is reflected on the Consolidated Balance Sheets. The contract also provided for acceptance by the DOE of such materials to begin in January 1998; however, that date was not met by the DOE and is expected to be delayed significantly. The DOE's current estimate for opening a facility to accept such waste is 2010. This extended delay in spent nuclear fuel acceptance by the DOE has led to ComEd's consideration of additional dry storage alternatives. On July 30, 1998, ComEd filed a complaint against the United States in the United States Court of Federal Claims seeking to recover damages caused by the DOE's failure to honor its contractual obligation to

begin disposing of spent nuclear fuel in January 1998. On September 14, 2000, the Judge hearing ComEd's case lifted a stay originally imposed on November 5, 1999. The court further ordered the government to file a response to ComEd's motion for summary judgment on the issue of the DOE's liability for breaching its contract with ComEd.

(14) Fair Value of Financial Instruments. The following methods and assumptions were used to estimate the fair value of financial instruments either held, or issued and outstanding. The disclosure of such information does not purport to be a market valuation of Unicom and subsidiary companies as a whole. The impact of any realized or unrealized gains or losses related to such financial instruments on the financial position or results of operations of Unicom and subsidiary companies is primarily dependent on the treatment authorized under future ComEd ratemaking proceedings.

Investments. Securities included in the nuclear decommissioning funds have been classified and accounted for as "available for sale" securities. The estimated fair value of the nuclear decommissioning funds, as determined by the trustee and based on published market data, as of September 30, 2000 and December 31, 1999 was as follows:

	September 30, 2000			December 31, 1999		
	CostBasis	Unrealized Gains/ (Losses)	Fair Value	Cost Basis	Unrealized Gains/ (Losses)	Fair Value
	(Thousands of Dollars)					
Short-term investments..	$ 33,583	$ --	$ 33,583	$ 41,362	$ 95	$ 41,457
U.S. Government and Agency issues..........	244,797	8,761	253,558	245,399	(1,993)	243,406
Municipal bonds.........	394,946	6,027	400,973	383,816	(940)	382,876
Corporate bonds.........	212,357	(2,416)	209,941	196,942	(5,699)	191,243
Common stock............	911,799	677,324	1,589,123	832,802	732,893	1,565,695
Other...................	162,879	11,963	174,842	125,072	(3,209)	121,863
	$1,960,361	$701,659	$2,662,020	$1,825,393	$721,147	$2,546,540

At September 30, 2000, the debt securities held by the nuclear decommissioning funds had the following maturities:

	Cost Basis	Fair Value
	(Thousands of Dollars)	
Within 1 year......................................	$ 31,303	$ 31,627
1 through 5 years..................................	325,139	326,986
5 through 10 years.................................	222,319	226,044
Over 10 years......................................	425,776	429,513

The net earnings of the nuclear decommissioning funds, which are recorded in the accumulated provision for depreciation, for the three months, nine months and twelve months ended September 30, 2000 and 1999 were as follows:

	Three Months Ended September 30		Nine Months Ended September 30		Twelve Months Ended September 30	
	2000	1999	2000	1999	2000	1999
	(Thousands of Dollars)					
Gross proceeds from sales of securities	$359,346	$ 399,024	$1,263,586	$1,241,887	$1,786,700	$1,637,011
Less cost based on specific identification	332,394	386,970	1,198,132	1,205,155	1,711,128	1,598,484
Realized gains/(losses) on sales of securities	$ 26,952	$ 12,054	$ 65,454	$ 36,732	$ 75,571	$ 38,527
Other realized fund earnings, net of expenses	12,126	12,186	30,113	43,002	50,038	59,983
Total realized net earnings of the funds	$ 39,078	$ 24,240	$ 95,567	$ 79,734	$ 125,609	$ 98,510
Unrealized gains/(losses)	6,056	(135,210)	(19,488)	(46,472)	128,494	142,147
Total net earnings of the funds	$ 45,134	$(110,970)	$ 76,079	$ 33,262	$ 254,103	$ 240,657

Securities held by certain trusts, which were established to provide for supplemental retirement benefits and executive medical claims, have been classified and accounted for as "available for sale." The estimated fair value of these securities, as determined by the trustee and based on published market data, as of September 30, 2000 was as follows:

	Cost Basis	Unrealized Gain	Fair Value
	(Thousands of Dollars)		
Short-term investments	$ 279	$ --	$ 279
Registered investment companies	21,955	13,258	35,213
	$22,234	$13,258	$35,492

Current Assets. Cash, temporary cash investments, cash held for redemption of securities and other cash investments, which include U.S. Government obligations and other short-term marketable securities, and special deposits, are stated at cost, which approximates their fair value because of the short maturity of these instruments. The securities included in these categories have been classified as "available for sale" securities.

Capitalization. The estimated fair values of ComEd preferred and preference stocks, ComEd-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely ComEd's subordinated debt securities, transitional trust notes and long-term debt were obtained from an independent consultant. The estimated fair values, which include the current portions of redeemable preference stock and long-term debt but exclude accrued interest and dividends, as of September 30, 2000 and December 31, 1999 were as follows:

	September 30, 2000			December 31, 1999		
	Carrying Value	Unrealized Gains/ (Losses)	Fair Value	Carrying Value	Unrealized Gains/ (Losses)	Fair Value
	(Thousands of Dollars)					
ComEd preferred and preference stocks	$ --	$ --	$ --	$ 71,265	$ 58	$ 71,323
ComEd-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely ComEd's subordinated debt securities	$ 350,000	$(21,467)	$ 328,533	$ 350,000	$ (10,595)	$ 339,405
Transitional trust notes	$2,794,121	$(98,119)	$2,696,002	$3,057,112	$(163,600)	$2,893,512
Long-term debt	$4,690,093	$ 6,925	$4,697,018	$4,810,108	$ (23,136)	$4,786,972

Current Liabilities. The carrying value of notes payable, which consists of commercial paper and bank loans maturing within one year, approximates the fair value because of the short maturity of these instruments. See "Capitalization" above for a discussion of the fair value of the current portion of long-term debt and redeemable preference stock.

Other Noncurrent Liabilities. The carrying value of accrued spent nuclear fuel disposal fee and related interest represents the settlement value as of September 30, 2000 and December 31, 1999; therefore, the carrying value is equal to the fair value.

(15) Pension and Postretirement Benefits. As of September 30, 2000, ComEd had a qualified non-contributory defined benefit pension plan which covers all regular employees of ComEd and certain of Unicom's subsidiaries. Benefits under this plan reflect each employee's compensation, years of service and age at retirement. Funding is based upon actuarially determined contributions that take into account the amount deductible for income tax purposes and the minimum contribution required under the Employee Retirement Income Security Act of 1974, as amended. The September 30, 2000 and December 31, 1999 pension liabilities and related data were determined using the January 1, 1999 actuarial valuation. Additionally, ComEd maintains a nonqualified supplemental retirement plan which covers any excess pension benefits that would be payable to management employees under the qualified plan but which are limited by the Internal Revenue Code. In 1998, Indiana Company's qualified defined benefit pension plan was merged into ComEd's pension plan as a result of the sale of Indiana Company's State Line Station and the transfer of its remaining employees to ComEd.

ComEd and certain of Unicom's subsidiaries provide certain postretirement medical, dental and vision care, and life insurance for retirees and their dependents and for the surviving dependents of eligible employees and retirees. Generally, the employees become eligible for postretirement benefits if they retire no earlier than age 55 with ten years of service. The liability for postretirement benefits is funded through trust funds based upon actuarially determined contributions that take into account the amount deductible for income tax purposes. The health care plans are contributory, funded jointly by the companies and the participating retirees. The September 30, 2000 and December 31, 1999 postretirement benefit liabilities and related data were determined using the January 1, 1999 actuarial valuations.

Reconciliations of the beginning and ending balances of the projected pension benefit obligation and the accumulated postretirement benefit obligation, and the funded status of these plans for the nine months ended September 30, 2000 and twelve months ended December 31, 1999 were as follows:

	Nine Months Ended September 30, 2000		Twelve Months Ended December 31, 1999	
	Pension Benefits	Other Postretirement Benefits	Pension Benefits	Other Postretirement Benefits
	(Thousands of Dollars)			
Change in benefit obligation				
Benefit obligation at beginning of period	$4,124,000	$1,169,000	$4,326,000	$1,236,000
Service cost	53,000	25,000	120,000	41,000
Interest cost	232,000	66,000	285,000	82,000
Plan participants' contributions	--	3,000	--	4,000
Actuarial loss/(gain)	6,000	(1,000)	(428,000)	(170,000)
Benefits paid	(195,000)	(43,000)	(241,000)	(51,000)
Special termination benefits	--	6,000	62,000	27,000
Benefit obligation at end of period	$4,220,000	$1,225,000	$4,124,000	$1,169,000
Change in plan assets				
Fair value of plan assets at beginning of period	$4,270,000	$ 948,000	$4,015,000	$ 865,000
Actual return on plan assets	78,000	20,000	493,000	106,000
Employer contribution	4,000	--	3,000	24,000
Plan participants' contributions	--	3,000	--	4,000
Benefits paid	(195,000)	(43,000)	(241,000)	(51,000)
Fair value of plan assets at end of period	$4,157,000	$ 928,000	$4,270,000	$ 948,000
Plan assets greater/(less) than benefit obligation	$ (63,000)	$ (297,000)	$ 146,000	$ (221,000)
Unrecognized net actuarial gain	(305,000)	(479,000)	(534,000)	(538,000)
Unrecognized prior service cost/(asset)	(10,000)	38,000	(11,000)	41,000
Unrecognized transition obligation/(asset)	(71,000)	261,000	(79,000)	276,000
Accrued liability for benefits	$ (449,000)	$ (477,000)	$ (478,000)	$ (442,000)

The assumed discount rate used to determine the benefit obligation as of September 30, 2000 and December 31, 1999 was 7.75%. The fair value of plan assets excludes $26 million and $25 million held in grantor trust as of September 30, 2000 and December 31, 1999, respectively, for the payment of benefits under the supplemental plan and $9 million and $9 million held in a grantor trust as of September 30, 2000 and December 31, 1999, respectively, for the payment of postretirement medical benefits.

The components of pension and other postretirement benefit costs, portions of which were recorded as components of construction costs, for the three months, nine months and twelve months ended September 30, 2000 were as follows:

	Three Months Ended September 30		Nine Months Ended September 30		Twelve Months Ended September 30	
	2000	1999	2000	1999	2000	1999
	(Thousands of Dollars)					
Pension Benefit Costs						
Service cost	$ 12,000	$ 31,000	$ 53,000	$ 94,000	$ 79,000	$ 116,000
Interest cost on projected benefit obligation	78,000	71,000	232,000	213,000	304,000	278,000
Expected return on plan assets	(98,000)	(90,000)	(295,000)	(271,000)	(386,000)	(356,000)
Amortization of transition asset	(3,000)	(3,000)	(8,000)	(9,000)	(12,000)	(12,000)
Amortization of prior service asset	1,000	(1,000)	(1,000)	(3,000)	(2,000)	(4,000)
Recognized loss/(gain)	(3,000)	1,000	(5,000)	3,000	(5,000)	4,000
Curtailment loss	--	--	--	--	16,000	--
Net periodic benefit cost	$ (13,000)	$ 9,000	$ (24,000)	$ 27,000	$ (6,000)	$ 26,000
Other Postretirement Benefit Costs						
Service cost	$ 9,000	$ 10,000	$ 25,000	$ 31,000	$ 35,000	$ 42,000
Interest cost on accumulated benefit obligation	22,000	21,000	66,000	62,000	86,000	84,000
Expected return on plan assets	(21,000)	(19,000)	(64,000)	(56,000)	(84,000)	(73,000)
Amortization of transition obligation	5,000	6,000	15,000	17,000	20,000	22,000
Amortization of prior service cost	1,000	1,000	3,000	3,000	4,000	4,000
Recognized gain	(5,000)	(3,000)	(16,000)	(9,000)	(21,000)	(9,000)
Severance plan cost	6,000	--	6,000	1,000	6,000	5,000
Curtailment loss	--	--	--	--	35,000	--
Net periodic benefit cost	$ 17,000	$ 16,000	$ 35,000	$ 49,000	$ 81,000	$ 75,000

In accounting for the pension costs and other postretirement benefit costs under the plans, the following weighted average actuarial assumptions were used for the periods during 2000, 1999 and 1998:

	Pension Benefits			Other Postretirement Benefits		
	2000	1999	1998	2000	1999	1998
Annual discount rate	7.75%	6.75%	7.00%	7.75%	6.75%	7.00%
Annual long-term rate of return on plan assets	9.50%	9.25%	9.50%	9.23%	8.97%	9.20%
Annual rate of increase in future compensation levels	4.00%	4.00%	4.00%	--	--	--

The pension and other postretirement benefit curtailment losses for the twelve months ended September 30, 2000 represent the recognition of prior service costs and transition obligations, and an increase in the benefit obligations resulting from special termination benefits, related to the reduction in the number of employees due to ComEd's December 1999 sale of the fossil stations.

The health care cost trend rates used to measure the expected cost of the postretirement medical benefits are assumed to be 7.5% for pre-Medicare recipients and 5.5% for Medicare recipients for 2000. Those rates are assumed to decrease in 0.5% annual increments to 5% for the years 2005 and 2001, respectively, and to remain level thereafter. The health care cost trend rates, used to measure the expected cost of postretirement dental and vision benefits, are a level 3.5% and 2.0% per year, respectively. Assumed health care cost trend rates have a significant effect on the amounts reported

for the health care plans. A one percentage point change in the assumed health care cost trend rates would have the following effects:

	1 Percentage Point Increase	1 Percentage Point Decrease
	(Thousands of Dollars)	
Effect on total annual service and interest cost components	$ 23,000	$ (18,000)
Effect on postretirement benefit obligation as of September 30, 2000	195,000	(155,000)

In addition, an employee savings and investment plan is available to eligible employees of ComEd and certain of its and Unicom's subsidiaries. Under the plan, each participating employee may contribute up to 20% of such employee's base pay and the participating companies match the first 6% of such contribution equal to 100% of the first 2% of contributed base salary, 70% of the next 3% of contributed base salary and 25% of the next 1% of contributed base salary. The participating companies' contributions were $7 million and $9 million for the three months ended September 30, 2000 and 1999, respectively, $23 million and $24 million for nine months ended September 30, 2000 and 1999, respectively, and $31 million and $32 million for the twelve months ended September 30, 2000 and 1999, respectively.

(16) Separation Plan Costs. O&M expenses included $33 million and $2 million for the three months ended September 30, 2000 and 1999, respectively, $47 million and $7 million for the nine months ended September 30, 2000 and 1999, respectively, and $50 million and $23 million for the twelve months ended September 30, 2000 and 1999, respectively, for costs related to voluntary separation offers to certain employees of ComEd, other than costs related to the fossil plant sale, as well as certain other employee-related costs. Such costs resulted in charges of $20 million (after-tax), or $0.11 per common share (diluted) and $1 million (after-tax), or less than $0.01 per common share (dilutive) for the three months ended September 30, 2000 and 1999, respectively, $28 million (after-tax), or $0.15 per common share (diluted), and $4 million (after-tax), or $0.02 per common share (diluted), for the nine months ended September 30, 2000 and 1999, respectively, and $30 million (after-tax), or $0.16 per common share (diluted), and $14 million (after-tax), or $0.06 per common share (diluted), for the twelve months ended September 30, 2000 and 1999, respectively. See Note 4 regarding employee separation costs related to the fossil plant sale.

(17) Income Taxes. The components of the net deferred income tax liability at September 30, 2000 and December 31, 1999 were as follows:

	September 30, 2000	December 31, 1999
	(Thousands of Dollars)	
Deferred income tax liabilities:		
Accelerated cost recovery and liberalized depreciation, net of removal costs	$2,632,492	$2,815,972
Overheads capitalized	152,271	159,836
Deferred gain on sale of fossil stations	458,472	--
Involuntary conversion	613,449	--
Repair allowance	213,020	221,502
Regulatory assets recoverable through future rates	701,714	688,946
Deferred income tax assets:		
Postretirement benefits	(378,449)	(376,538)
Unamortized investment tax credits	(154,588)	(161,756)
Regulatory liabilities to be settled through future rates	(580,991)	(596,157)
Nuclear plant closure	(5,455)	(5,456)
Other--net	(271,428)	(321,522)
Net deferred income tax liability	$3,380,507	$2,424,827

The components of net income tax expense charged to continuing operations for the three months, nine months and twelve months ended September 30, 2000 and 1999 were as follows:

	Three Months Ended September 30		Nine Months Ended September 30		Twelve Months Ended September 30	
	2000	1999	2000	1999	2000	1999
	(Thousands of Dollars)					
Operating income:						
Current income taxes...	$ 128,058	$ 193,103	$308,230	$405,482	$1,665,029	$380,183
Deferred income taxes..	(82,288)	(11,449)	(170,157)	(100,217)	(1,473,022)	(26,052)
Investment tax credits deferred--net.........	(5,499)	(7,021)	(16,498)	(21,063)	(21,263)	(27,856)
Other (income) and deductions:						
Current income taxes...	24,497	(5,809)	37,378	(4,057)	41,139	5,160
Deferred income taxes..	852	6,159	13,694	12,238	27,287	23,787
Investment tax credits.	(2,153)	(2,153)	(6,458)	(6,133)	(52,064)	(10,768)
Net income taxes charged to continuing operations..................	$ 63,467	$ 172,830	$166,189	$286,250	$ 187,106	$344,454

Provisions for current and deferred federal and state income taxes and amortization of investment tax credits resulted in the following effective income tax rates for the three months, nine months and twelve months ended September 30, 2000 and 1999:

	Three Months Ended September 30		Nine Months Ended September 30		Twelve Months Ended September 30	
	2000	1999	2000	1999	2000	1999
	(Thousands of Dollars)					
Net income before extraordinary items....	$ 166,631	$ 279,752	$509,276	$496,366	$ 610,155	$607,554
Net income taxes charged to continuing operations.............	63,467	172,830	166,189	286,250	187,106	344,454
Provision for dividends on ComEd preferred and preference stocks......	534	1,830	2,773	20,170	6,359	33,991
Pre-tax income before extraordinary items and provision for dividends..............	$ 230,632	$ 454,412	$678,238	$802,786	$ 803,620	$ 985,999
Effective income tax rate...................	27.5%	38.0%	24.5%	35.7%	23.3%	34.9%

The principal differences between net income taxes charged to continuing operations and the amounts computed at the federal statutory rate of 35% for the three months, nine months and twelve months ended September 30, 2000 and 1999 were as follows:

	Three Months Ended September 30		Nine Months Ended September 30		Twelve Months Ended September 30	
	2000	1999	2000	1999	2000	1999
	(Thousands of Dollars)					
Federal income taxes computed at statutory rate	$ 80,721	$ 159,045	$237,384	$280,975	$ 281,267	$ 345,100
Amortization of investment tax credits, net of deferred income taxes	(5,234)	(5,907)	(15,702)	(17,525)	(46,391)	(24,782)
State income taxes, net of federal income taxes	8,961	21,958	22,612	37,394	31,137	44,566
Net gain on forward share repurchase contract	--	6,130	(39,575)	(5,566)	(18,619)	(5,566)
Earnings on non-tax qualified decommissioning fund	(1,505)	(951)	(2,637)	(3,719)	(7,833)	(3,719)
Differences between book and tax accounting, primarily property-related deductions	(19,476)	(7,445)	(35,893)	(5,309)	(52,455)	(11,145)
Net income taxes charged to continuing operations	$ 63,467	$ 172,830	$166,189	$286,250	$ 187,106	$ 344,454

(18) Taxes, Except Income Taxes. Provisions for taxes, except income taxes, for the three months, nine months and twelve months ended September 30, 2000 and 1999 were as follows:

	Three Months Ended September 30		Nine Months Ended September 30		Twelve Months Ended September 30	
	2000	1999	2000	1999	2000	1999
	(Thousands of Dollars)					
Illinois public utility revenue	$ --	$ (601)	$ (3,685)	$ 1,296	$ (4,000)	$ 8,365
Illinois electricity distribution tax	31,267	32,942	77,985	87,615	104,611	116,061
Municipal utility gross receipts	24,752	29,832	74,002	80,418	93,285	98,811
Real estate	18,325	33,801	94,853	97,034	113,028	122,916
Municipal compensation	23,781	23,714	64,702	60,515	77,536	78,821
Energy assistance and renewable energy charge	8,629	8,117	26,079	25,562	34,940	33,753
Other--net	31,856	16,986	72,421	54,846	88,125	76,520
	$ 138,610	$ 144,791	$406,357	$407,286	$ 507,525	$ 535,247

See Note 21 for additional information regarding Illinois invested capital taxes.

(19) Lease Obligations of Subsidiary Companies.

Future minimum rental payments at September 30, 2000 for operating leases of equipment and real property are estimated to aggregate to $280 million, including $7 million in 2000, $29 million in 2001, $27 million in 2002, $26 million in 2003, $25 million in 2004 and $166 million in 2005-2043.

(20) Joint Plant Ownership. ComEd has a 75% undivided ownership interest in the Quad Cities nuclear generating station. Further, ComEd is responsible for 75% of all costs which are charged to appropriate investment and O&M accounts, and provides its own financing. ComEd's net plant investment, including construction work in progress, in Quad Cities Station on the Consolidated Balance Sheets was $39 million at September 30, 2000.

(21) Commitments and Contingent Liabilities. Purchase commitments, principally related to construction, nuclear fuel, and coal in support of certain power purchase agreements approximated $839 million at September 30, 2000, comprised of $769 million for ComEd, $11 million for UT Holdings, $50 million for Unicom Energy Services, $1 million for Unicom Distributed Energy and $8 million for Unicom Power Holdings. In addition, ComEd has substantial commitments for expected capacity payments and fixed charges related to power purchase agreements. Upon completion of the fossil plant sale with EME, ComEd entered into arrangements to assign or settle a substantial portion of its coal purchase commitments and entered into purchase power agreements with EME. See "Management's Discussion and Analysis of Financial Condition and Results of Operations," subcaption "Liquidity and Capital Resources--UTILITY OPERATIONS--Construction Program," for additional information regarding ComEd's purchase commitments.

ComEd is a member of NEIL which provides insurance coverage against property damage and associated replacement power costs occurring at members' nuclear generating facilities. All companies insured with NEIL are subject to retrospective premium adjustments if losses exceed accumulated reserve funds. Capital has been accumulated in the reserve funds such that ComEd would not be liable for any single incident. However, ComEd could be subject to assessments in any policy year for each of three types of coverage provided. The maximum assessments are approximately $32 million for primary property damage, $20 million for excess property damage and $7 million for replacement power.

The NRC's indemnity for public liability coverage under the Price-Anderson Act is supported by a mandatory industry-wide program under which owners of nuclear generating facilities could be assessed in the event of nuclear incidents. Based on the number of nuclear reactors with operating licenses, ComEd would currently be subject to a maximum assessment of $969 million in the event of an incident, limited to a maximum of $110 million in any calendar year.

In addition, ComEd participates in the American Nuclear Insurers Master Worker Program, which provides coverage for worker tort claims filed for bodily injury caused by the nuclear energy hazard. This program was modified, effective January 1, 1998, to provide coverage to all workers whose "nuclear-related employment" began on or after the commencement date of reactor operations. ComEd will not be liable for a retrospective assessment under this new policy. However, ComEd is still subject to a maximum retroactive assessment of up to $36 million in the event losses incurred under the small number of policies in the old program exceed accumulated reserves.

Three of ComEd's wholesale municipal customers filed a complaint and request for refund with the FERC alleging that ComEd failed to properly adjust their rates, as provided for under the terms of their electric service contracts, to track certain refunds made to ComEd's retail customers in the years 1992 through 1994. In the third quarter of 1998, the FERC granted the complaint and directed that refunds be made, with interest. ComEd filed and was granted a request for rehearing for purposes of reconsideration with the FERC. If the order is upheld, ComEd must make refunds within 15 days of the resolution for rehearing. ComEd's management believes an adequate reserve has been established in connection with this case.

During 1989 and 1991, actions were brought in federal and state courts in Colorado against ComEd and Cotter seeking unspecified damages and injunctive relief based on allegations that Cotter has permitted radioactive and other hazardous material to be released from its mill into areas owned or occupied by the plaintiffs resulting in property damage and potential adverse health effects. With

respect to Cotter, in 1994 a federal jury returned nominal dollar verdicts against Cotter on eight plaintiffs' claims in the 1989 cases, which verdicts were upheld on appeal. The remaining claims in the 1989 actions have been settled and dismissed. On July 15, 1998, a jury verdict was rendered in Dodge vs. Cotter (United States District Court for the District of Colorado, Civil Action No. 91-Z-1861), a case relating to 14 of the plaintiffs in the 1991 cases. The verdict against Cotter and in favor of the plaintiffs, after an amended judgement was issued March 11, 1999, totaled approximately $6 million, including compensatory and punitive damages, interest and medical monitoring. Cotter appealed. On February 11, 2000, the Tenth Circuit Court of Appeals agreed with Cotter, found that the trial judge had erred in critical rulings and reversed the jury verdict, remanding the case for new trial. A trial involving the next group of twelve plaintiffs is currently underway in federal district court in Denver. Although this trial and the other 1991 cases will necessarily involve the resolution of numerous contested issues of law and fact, it is ComEd's assessment that these actions will not have a material impact on its financial position or operations.

In August of 1999, three class action lawsuits were filed against the Company related to a series of service interruptions. The two primary events occurred on July 30 through August 2, 1999. Another significant outage occurred on August 12, 1999. The outages of July 30, 1999, described as the Northwest Substation events, began during a period of intense heat and humidity. On August 12, 1999, in what is described as the Jefferson Substation event, ComEd interrupted service to customers on the near north and near west side of the Loop. While major commercial customers were affected, all service was restored in this event on the same date. The combined effect of these events resulted in over 168,000 customers losing service for more than 4 hours. The class action complaints have been consolidated and seek to recover damages for personal injuries and property damage, as well as economic loss for these events. Further, ComEd initiated expedited claim settlements for those with primarily food spoilage claims and has paid over $4 million to date. Conditional class certification has been approved by the Court for the sole purpose of exploring settlement talks. For purposes of such discussions, the outage described above, as well as lesser events through August 31, 1999, will be considered. If talks are not productive, either side can withdraw unilaterally. The Company has repeatedly declared that it will pay no economic damages and will vigorously defend against such claims. The lawsuits are pending in the Circuit Court of Cook County. ComEd filed a motion challenging the legal sufficiency of the consolidated complaints. On July 21, 2000, the judge dismissed two of the counts with prejudice, and four others with leave to replead. The plaintiffs filed an amended complaint on August 29, 2000. ComEd has again filed a motion seeking dismissal of the pleadings. The plaintiffs have not yet responded. The next status before the Court is set for November 10, 2000. Argument on the motion to dismiss will likely occur in December 2000. A portion of any settlement or verdict may be covered by insurance and discussions with the carrier are ongoing. ComEd's management believes adequate reserves have been established in connection with these cases.

Following the summer 1999 service interruptions, the ICC opened a three-phase investigation of the design and reliability of ComEd's transmission and distribution system. At the conclusion of each phase of the investigation, the ICC will issue reports that will include specific recommendations for ComEd and a timetable for executing the recommendations. Although the recommendations are not legally binding on ComEd, the ICC may enforce the recommendations through litigation. The report on Phase I of the investigation was released the week of January 3, 2000, which focused on the outages of July and August 1999. The first and second of five reports on Phase II and Phase III, focusing on the transmission and distribution system, were released during the weeks of June 5 and June 17, respectively. The third report is anticipated later this year. The investigation is expected to conclude by early 2001. Since summer 1999, the Company has devoted significant resources to

improving the reliability of its transmission and distribution system. The Company believes that the likelihood of a successful material claim resulting from this investigation is remote. The investigation is expected to conclude by early 2001.

In 1996, several developers of non-utility generating facilities filed litigation against various Illinois officials claiming that the enforcement against those facilities of an amendment to Illinois law removing the entitlement of those facilities to state-subsidized payments for electricity sold to ComEd after March 15, 1996 violated their rights under the federal and state constitutions, and against ComEd for a declaratory order that their rights under their contracts with ComEd were not affected by the amendment. On August 4, 1999, the Illinois Appellate Court held that the developers' claims against the State were premature, and the Illinois Supreme Court denied leave to appeal that ruling by Order dated December 1, 1999. On April 14, 2000, the developer of one such facility requested leave to amend its complaint to allege claims for damages against ComEd based on breach be ComEd of an alleged contractual obligation to pay for electricity purchased from that developer at the state-subsidized rate. ComEd has objected to the developer's request for leave to amend, and intends vigorously to contest any assertion by such developer that it is entitled to any payment in excess of ComEd's avoided costs.

ComEd is involved in administrative and legal proceedings concerning air quality, water quality and other matters. The outcome of these proceedings may require increases in future construction expenditures and operating expenses and changes in operating procedures. ComEd and its subsidiaries are or are likely to become parties to proceedings initiated by the U.S. EPA, state agencies and/or other responsible parties under CERCLA with respect to a number of sites, including MGP sites, or may voluntarily undertake to investigate and remediate sites for which they may be liable under CERCLA.

ComEd generally did not operate MGPs as a corporate entity but did, however, acquire MGP sites as part of the absorption of smaller utilities. Approximately half of these sites were transferred to then Northern Illinois Gas Company (Nicor Gas) as part of a general conveyance in 1954. ComEd also acquired former MGP sites as vacant real estate on which ComEd facilities have been constructed. To date, ComEd has identified 44 former MGP sites for which it may be liable for remediation. In the fourth quarter of 1999, ComEd re-evaluated its environmental remediation strategies. As a result of this re-evaluation, ComEd's estimate of its cost of former MGP site investigation and remediation was increased by $68 million in the fourth quarter of 1999. ComEd's current best estimate of its costs of former MGP site investigation and remediation is $89 million (2000) dollars (reflecting an estimated inflation rate of 3.0% and a discount rate of 6.5%). Such estimate, reflecting an estimated inflation rate of 3% and before the effects of discounting, is $176 million and is included in other liabilities on the Consolidated Balance Sheets as of September 30, 2000. It is expected that the costs associated with investigation and remediation of former MGP sites will be substantially incurred through 2012, however monitoring and certain other costs are expected to be incurred through 2042. The increase in ComEd's estimated costs of former MGP sites of $68 million in the fourth quarter of 1999 was included in O & M expenses on Unicom and ComEd's Statements of Consolidated Operations. In addition, as of September 30, 2000 and December 31, 1999, a reserve of $7 million and $8 million, respectively, has been included in other noncurrent liabilities on the Consolidated Balance Sheets, representing ComEd's estimate of the liability associated with cleanup costs of sites other than former MGP sites. These cost estimates are based on currently available information regarding the responsible parties likely to share in the costs of responding to site contamination, the extent of contamination at sites for which the investigation has not yet been completed and the cleanup levels to which sites are expected

to have to be remediated. While ComEd may have rights of reimbursement under insurance policies, amounts that may be recoverable from other entities are not considered in establishing the estimated liability for the environmental remediation costs.

The IDR has issued Notices of Tax Liability to ComEd alleging deficiencies in Illinois invested capital tax payments for the years 1988 through 1997. The alleged deficiencies, including interest and penalties, totaled approximately $54 million as of September 30, 2000. ComEd has protested the notices, and the matter is currently pending before the IDR's Office of Administrative Hearings. Interest will continue to accumulate on the alleged tax deficiencies.

(22) Segment Reporting. Unicom's reportable operating segments as determined under SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information include its regulated electric utility and its unregulated business operations. Unicom's reportable segments are managed separately because of their different regulatory and operating environments. Unicom evaluates their performance based on net income.

ComEd is an electric utility which is engaged in the generation, purchase, transmission, distribution and sale of electric energy in Northern Illinois. ComEd's rates and services are subject to federal and state regulations.

Unicom's unregulated business operations, including energy services and development of new business ventures, are not subject to utility regulation by federal or state agencies. As a result of the December 1999 fossil plant sale, as described in Note 4, the assets of unregulated businesses exceeded 10% of Unicom's total assets and, as such, constitute a reportable segment. The assets of the unregulated businesses include approximately $1.6 billion of investments in leases at September 30, 2000 as discussed in Note 1.

The accounting policies of the segments are the same as those described in Note 1. Unicom's financial data for business segments are as follows:

	Three Months Ended September 30		Nine Months Ended September 30		Twelve Months Ended September 30	
	2000	1999	2000	1999	2000	1999
	(Thousands of Dollars)					
Operating Revenue:						
Electric Utility.......	$2,039,961	$2,060,217	$5,274,100	$5,266,647	$6,764,910	$6,824,708
Unregulated Businesses.	180,328	24,237	411,571	41,325	460,736	46,932
Intersegment Revenue...	46,873	8,998	82,012	14,675	88,864	21,509
Elimination............	(46,873)	(8,998)	(82,012)	(14,675)	(88,864)	(21,509)
Consolidated Unicom.....	$2,220,289	$2,084,454	$5,685,671	$5,307,972	$7,255,646	$6,871,640
Depreciation, Amortization and Decommissioning:						
Electric Utility.......	$ 225,951	$ 200,284	$ 821,662	$ 695,387	$ 962,420	$ 923,216
Unregulated Businesses.	4,263	1,825	10,197	5,001	12,299	6,515
Consolidated Unicom.....	$ 230,214	$ 202,109	$ 831,859	$ 700,388	$ 974,719	$ 929,731
Interest and Dividend Income:						
Electric Utility.......	$ 54,632	$ 10,241	$ 176,859	$ 41,110	$ 195,980	$ 48,924
Unregulated Businesses.	35,055	1,000	114,325	2,827	121,019	3,716
Elimination............	(74,298)	(1,298)	(189,052)	(1,891)	(197,966)	(2,179)
Consolidated Unicom.....	$ 15,389	$ 9,943	$ 102,132	$ 42,046	$ 119,033	$ 50,461
Interest Expense--Net:						
Electric Utility.......	$ 124,661	$ 135,945	$ 381,156	$ 413,824	$ 512,684	$ 524,109
Unregulated Businesses.	91,012	5,257	219,663	14,202	234,478	17,973
Elimination............	(74,298)	(1,298)	(189,052)	(1,891)	(197,966)	(2,179)
Consolidated Unicom.....	$ 141,375	$ 139,904	$ 411,767	$ 426,135	$ 549,196	$ 539,903
Income Tax Expense/(Benefit):						
Electric Utility.......	$ 91,726	$ 184,992	$ 237,658	$ 322,868	$ 267,012	$ 400,325
Unregulated Businesses.	(22,759)	(5,418)	213,313	85,587	256,875	152,340
Consolidated Unicom.....	$ 68,967	$ 179,574	$ 450,971	$ 408,455	$ 523,887	$ 552,665
Net Income/(Loss):						
Electric Utility.......	$ 196,246	$ 287,049	$ 579,965	$ 511,435	$ 691,259	$ 643,283
Unregulated Businesses.	(32,582)	(7,297)	(77,823)	(42,648)	(88,238)	(63,308)
Consolidated Unicom.....	$ 163,664	$ 279,752	$ 502,142	$ 468,787	$ 603,021	$ 579,975
Capital Expenditures:						
Electric Utility.......	$ 324,746	$ 262,946	$ 899,072	$ 736,654	$1,245,816	$1,021,602
Unregulated Businesses.	(5,048)	8,975	15,353	15,960	39,486	21,133
Consolidated Unicom.....	$ 319,698	$ 271,921	$ 914,425	$ 752,614	$1,285,302	$1,042,735

	September 30, 2000	December 31, 1999
Total Assets:		
Electric Utility................................	$21,877,441	$23,160,265
Unregulated Businesses...........................	8,310,774	3,720,376
Elimination......................................	(7,605,580)	(3,474,608)
Consolidated Unicom..............................	$22,582,635	$23,406,033

Changes in the Electric Utility Industry

Unicom and its predominant business, electric energy generation, transmission and distribution, are in a period of fundamental change. These changes are attributable to changes in technology and regulation. Federal law and regulations have been amended to provide for open transmission system access, and various states, including Illinois, are considering, or have adopted, new regulatory structures to allow access by some or all customers to energy suppliers, in addition to the local utility.

Electric Utility Industry. The electric utility industry historically has consisted of vertically integrated companies which combine generation, transmission and distribution assets; serve customers within relatively defined service territories; and operate under extensive regulation with respect to rates, operations and other matters. Utilities have operated under a regulatory compact with the state, with a statutory obligation to serve all of the electricity needs within their service territory in a nondiscriminatory manner. Historically, investment and operating decisions have been made based upon the utilities' respective assessment of the current and projected needs of their customers. In view of this obligation, regulation has focused on investment and operating costs, and rates have been based on recovery of some or all of such prudently incurred costs plus a return on invested capital. Such rate regulation, and the ability of utilities to recover investment and other costs through rates, have provided the basis for recording certain costs as regulatory assets. These assets represent costs which are allocated over future periods reflecting related regulatory treatment, rather than expensed in the current period.

Federal Regulation. The Federal Energy Policy Act of 1992, among other things, empowered the FERC to introduce a greater level of competition into the wholesale marketplace for electric energy. Under FERC Order No. 888, utilities are required to file open access tariffs with regard to their transmission systems. These tariffs set forth the terms, including prices, under which other parties and the utility's wholesale marketing function may use the utility's transmission system. ComEd has an approved open access tariff with the FERC. A companion FERC rule, Order No. 889, requires the separation of the transmission operations and wholesale marketing functions so as to ensure that unaffiliated third parties have access to the same information as to system availability and other requirements. The FERC Order further requires utilities to operate an electronic bulletin board to make transmission price and access data available to all potential users. A key feature of FERC Order No. 888 is that it contemplates full recovery of a utility's costs "stranded" by competition. These costs are "stranded" or "strandable" to the extent market-based rates would be insufficient to allow for their full recovery. To recover stranded costs, the utility must show that it had a reasonable expectation that it would continue to serve the customer in question under its regulatory compact. In addition, some governmental entities, such as cities, may elect to "municipalize" a utility's distribution facilities through condemnation proceedings. Such municipalities would then be able to purchase electric power on a wholesale basis and resell it to customers over the newly acquired facilities. The FERC Order provides for the recovery of a utility's investment stranded by municipalization.

The 1997 Act. In December 1997, the Governor of Illinois signed into law the 1997 Act, which established a phased process to introduce competition into the electric industry in Illinois under a less regulated structure. The 1997 Act was amended in June 1999.

As a result of the 1997 Act and FERC rules, prices for the supply of electric energy are expected to change from cost-based, regulated rates to rates determined by competitive market forces. Accordingly, the 1997 Act provides for, among other things, gradual customer access to other electric suppliers or a power purchase option which allows the purchase of electric energy from ComEd at

market based prices, and the collection of a CTC from customers who choose to purchase electric energy from a RES or elect the power purchase option during a transition period that extends through 2006. Effective October 1, 1999, the CTC was established in accordance with a formula defined in the 1997 Act. The CTC, which is applied on a cents per kilowatthour basis, considers the revenue which would have been collected from a customer under tariffed rates, reduced by the revenue the utility will receive for providing delivery services to the customer, the market price for electricity and a defined mitigation factor, which represents the utility's opportunity to develop new revenue sources and achieve cost savings. The CTC allows ComEd to recover some of its costs which might otherwise be unrecoverable under market-based rates. Nonetheless, ComEd will need to take steps to address the portion of such costs which are not recoverable through the CTC. Such steps may include cost control efforts, developing new sources of revenue and asset dispositions. See "Response to Regulatory Changes" and "Fossil Plant Sale" below for additional information.

As of June 1, 2000, more than 62,000 non-residential customers are eligible to choose a new electric supplier or elect the purchase power option. As of September 30, 2000, over 7,800 non-residential customers, representing approximately 18 percent of ComEd's retail kilowatthour sales for the twelve months prior to the introduction of open access, elected to receive their electric energy from a RES or chose the purchase power option. The impact of customer choice on results of operations will depend on various factors, including the extent to which customers elect to receive energy from a RES or the purchased power option, the development of a competitive market, the market price for energy, the extent to which ComEd develops new sources of revenue and the results of cost control efforts. Because of the inherent uncertainty in these factors, ComEd is unable to predict the long term impact of customer choice on results of operations. However, ComEd does not expect customer choice to have a material effect in the near term as a result of the collection of CTCs as provided by the 1997 Act.

Utilities are required to continue to offer delivery services, including the transmission and distribution of electric energy, such that customers who select a RES can receive electric energy from that supplier using existing transmission and distribution facilities. Such services will continue to be offered under cost-based, regulated rates. The ICC issued orders in August and September 1999 approving, with modifications, ComEd's delivery service tariffs.

The 1997 Act also provides for a 15% residential base rate reduction which became effective August 1, 1998 and an additional 5% residential base rate reduction in October 2001. ComEd's operating revenues were reduced by approximately $170 million in 1998 due to the 15% residential base rate reduction. The 15% rate reduction further reduced ComEd's operating revenues by approximately $226 million in 1999, compared to 1998 rate levels.

Notwithstanding the rate reductions and subject to certain earnings tests, a rate freeze will generally be in effect until at least January 1, 2005. During this period, utilities may reorganize, sell or assign assets, retire or remove plants from service, and accelerate depreciation or amortization of assets with limited ICC regulatory review. A utility may request a rate increase during the rate freeze period only when necessary to ensure the utility's financial viability. Under the earnings provision of the 1997 Act, if the earned return on common equity of a utility during this period exceeds an established threshold, one-half of the excess earnings must be refunded to customers. The threshold rate of return on common equity is based on the 30-Year Treasury Bond rate, plus 5.5% in the years 1998 and 1999, and plus 8.5% in the years 2000 through 2004. The utility's earned return on common equity and the threshold return on common equity are each calculated on a two-year average basis. The earnings sharing provision is applicable only to ComEd's earnings. In accordance with the provisions of the 1997 Act, increased amortization of regulatory assets may be recorded, thereby reducing the earned return on common equity, if earnings otherwise would have exceeded the maximum allowable rate of return. The potential for earnings sharing or increased amortization of regulatory assets could limit earnings in future periods. ComEd's returns on average common equity

for the years 1999 and 1998 were 11.56% and 10.86%, respectively. The average return of 11.21% for the two year period ended December 31, 1999 equaled the threshold return for that period under the earnings provisions of the 1997 Act. ComEd does not currently expect to trigger the earnings sharing provisions of the 1997 Act in the years 2000 through 2004.

The 1997 Act also allows a portion of ComEd's future revenues to be segregated and used to support the issuance of securities by ComEd or a SPE. The proceeds, net of transaction costs, from such security issuances must be used to refinance outstanding debt or equity or for certain other limited purposes. In December 1998, ComEd initiated the issuance of $3.4 billion of transitional trust notes through its SPEs, ComEd Funding and ComEd Funding Trust. See "Liquidity and Capital Resources," subcaption "UTILITY OPERATIONS--Capital Resources" below, and Notes 3 and 6 of Notes to Financial Statements, for additional information regarding the redemptions and repurchases of debt and equity.

The 1997 Act also requires utilities to establish or join an ISO that will independently manage and control utility transmission systems. Additionally, the 1997 Act includes the leveling of certain regulatory requirements to permit operational flexibility, the leveling of certain regulatory and tax provisions as applied to various electric suppliers and a new, more stringent, reliability requirement applicable to ComEd in the event of a major outage. See "Response to Regulatory Changes" below for additional information.

See Notes 1, under "Regulatory Assets and Liabilities," and 3 of Notes to Financial Statements for the accounting effects related to the 1997 Act.

Response to Regulatory Changes. Unicom has announced several business and operational objectives designed to focus efforts in responding to the energy market changes that are expected to develop from the 1997 Act. Among other things, these strategic objectives call for a focus on operations to: (1) provide a reliable supply of electricity as the competitive marketplace evolves, (2) become a top quartile operator of competitive nuclear plants, (3) deliver competitive earnings while restructuring the balance sheet to reflect the realities of the marketplace, (4) expand the offering of energy-related products and services, and (5) transform the corporate culture of Unicom.

Under the 1997 Act, the role of electric utilities in the supply and delivery of energy is expected to change. Utilities, such as ComEd, traditionally have been responsible for providing both adequate supply and reliable delivery of electricity to customers within their service areas. In the future, ComEd will continue to be obligated to provide a reliable delivery system. However, ComEd will be obligated to supply electricity only to those customers that it continues to serve under tariffs for electricity, but not for those customers who choose to rely on the marketplace. Nonetheless, during the transition period to a competitive supply marketplace, ComEd must provide both an adequate supply and reliable delivery of electricity. Given the tight capacity situation in ComEd's market, ComEd will be working to maintain its available capacity, as well as working to assist in the development of a competitive supply marketplace in Illinois.

ComEd has a significant commitment to, and investment in, nuclear generating capacity. ComEd has installed a management team responsible for improving nuclear operations. Such improvements are aimed at increasing levels of energy generation, or capacity factors, at ComEd's nuclear generating units while simultaneously improving ComEd's record of meeting NRC requirements and INPO performance standards. Increased capacity factors generally result in lower unit production costs and an improved opportunity to generate and sell electricity in a competitive marketplace. Efforts are also being made to control capital and operating costs through increased efficiencies, such as the reduction of downtime and expenses associated with generating unit maintenance and refueling outages.

In December 1999, FERC issued an order known as "Order 2000" requiring jurisdictional utilities to file a proposal to form an RTO meeting certain governance, operational, and scope and scale requirements articulated in the order or, alternatively, to describe efforts to participate in or work toward participating in an RTO or explain why they were not participating in an RTO. Order 2000 is generally designed to separate the governance and operation of the transmission system from generation companies and other market participants. RTOs may be organized in a variety of ways, including so-called independent system operators or "ISOs" (such as the Midwest Independent System Operator or "MISO"), which are generally not-for-profit entities and which would operate but not own transmission facilities, as well as independent for-profit transmission companies, and other structures. ComEd has been a member of the MISO and has participated with other utilities in evaluating the formation of an independent transmission company operating within the oversight of the MISO.

As a result of that evaluation, and in consideration of the recently completed transaction in which Exelon Corporation was formed as the holding company for ComEd and PECO, ComEd believes that continued participation in the MISO is not in its best interests given circumstances as they now stand. Consequently, on October 31, 2000, ComEd notified the MISO of its intention to withdraw and to join the Alliance Regional Transmission Organization, an RTO being established by American Electric Power, Consumers Energy, Detroit Edison, Virginia Electric & Power and FirstEnergy. ComEd's withdrawal from the MISO is subject to regulatory approval. As a result of the Exelon transaction, ComEd believes that Exelon has the right to withdraw ComEd's facilities from participation in the MISO as of October 31, 2001, subject to FERC approval, and that its responsibility for start-up costs associated with the Midwest MISO under the transmission owners' agreement will not be material. The MISO is expected to oppose this view and has argued, among other things, that the provision allowing earlier withdrawal in the case of a merger is not applicable to the Exelon transaction and that the earliest applicable date for ComEd's withdrawal is the end of the year following the fifth anniversary of ComEd's execution of the transmission owners' agreement, which would be December 31, 2002, unless the Federal Energy Regulatory Commission permits earlier withdrawal. MISO may also dispute ComEd's view of its responsibility for costs MISO has and will continue to incur. If ComEd's view of its right to withdraw and responsibility for costs is challenged and does not prevail, then the costs associated with ComEd's withdrawal may be material.

Merger Agreement. On October 19, 2000, Unicom and PECO received approval from the Securities and Exchange Commission under the Public Utilities Holding Company Act of 1935, the last regulatory approval, to complete their merger to form Exelon Corporation. The companies completed the merger on October 20, 2000 and began trading as Exelon Corporation (NYSE: EXC) on October 23, 2000.

Upon completion of the merger, PECO and ComEd became the principal utility subsidiaries of Exelon. This result was achieved by a mandatory exchange of the outstanding common stock of PECO for common stock of Exelon, and a subsequent merger of Unicom with and into Exelon wherein holders of Unicom common stock received 0.875 shares of Exelon common stock plus $3.00 in cash for each of their shares of Unicom common stock. The merger transaction will be accounted for as a purchase of Unicom by PECO.

Consistent with Unicom's $1 billion share repurchase commitment in the merger agreement with PECO, Unicom has completed the repurchase of 24 million shares of its common stock. The shares were repurchased from the open market over the recent ten months pursuant to agreements with financial institutions. Approximately $153 million of these share repurchases were funded with proceeds from the 1998 issuance of transitional trust notes. The remaining share repurchases will be funded from available funds, including funds ultimately resulting from the fossil plant sale. These share repurchases are in addition to 26.3 million shares of Unicom common stock that Unicom repurchased in January 2000 upon settlement of certain forward purchase contracts. See Notes 6 and 23 of Notes to Financial Statements for additional information.

ComEd and PECO are undertaking steps to transfer their generating assets and wholesale power marketing operations to subsidiaries following the consummation of the merger. Subsequent to those transfers, these subsidiaries will be transferred to Exelon and ultimately will be combined into a single power generation and marketing company, which will be a direct subsidiary of Exelon ("Genco"). In ComEd's case, the transfer will include its Braidwood, Byron, Dresden, LaSalle and Quad Cities nuclear generating stations representing an aggregate generating capability of 9,566 megawatts, its Zion station, its rights and obligations under various power purchase agreements, the assets constituting its nuclear decommissioning trusts and its wholesale power marketing business. Genco will enter into a power purchase agreement with ComEd in which Genco will undertake to supply ComEd's full requirements for electric energy through 2004 and all of ComEd's requirements up to the available capacity of the nuclear generating stations in 2005 and 2006. On August 3, the NRC approved the request of ComEd and PECO to transfer licenses for both companies' nuclear plants from ComEd and PECO to Exelon Generating Company to be formed in connection with the proposed merger.

As part of the transfer of the nuclear generating stations, Genco is to assume responsibility for the decommissioning of those stations, including Zion Station and Dresden Unit 1, subject to an obligation of ComEd to continue to collect decommissioning-related charges from its customers. In May 2000, ComEd filed a petition with the ICC seeking approval to revise its existing decommissioning rider to its rates. Under the proposed revision, ComEd would collect approximately $121 million annually for a period of six years, after which the decommissioning rider and collection of decommissioning funds would end. On October 25, 2000, an ICC hearing examiner issued a proposed order denying ComEd's petition on the basis that existing law does not allow the ICC to authorize ComEd to continue to collect funds for decommissioning nuclear generating plants that it no longer owns. ComEd believes that the proposed order is wrong as a matter of law and that the ICC has the statutory authority to grant ComEd's petition. The ICC is not bound by the proposed order and may accept or reject it, in whole or in part, in preparing its final order in the proceedings. Responses from the parties to the proceedings regarding the proposed order are due in early November and a final order is expected before year-end. ComEd is evaluating the effect of the proposed order on the proposed structure of the Genco transaction. The transfer of the nuclear assets, including the decommissioning trust funds, are subject to satisfactory resolution of significant regulatory and tax issues.

The Amended and Restated Agreement and Plan of Exchange and Merger, dated as of January 7, 2000, was filed on January 13, 2000 by Unicom with the SEC as an exhibit to a Form 8-K, and reference to that filing is made for more detailed information.

Fossil Plant Sale. In December 1999, ComEd completed the sale of its fossil generating assets to EME for a cash purchase price of $4.8 billion. The fossil plant assets represent an aggregate generating capacity of approximately 9,772 megawatts.

Just prior to the consummation of the fossil plant sale, ComEd transferred these assets to an affiliate, Unicom Investment. In consideration for the transferred assets, Unicom Investment paid ComEd consideration totalling approximately $4.8 billion in the form of a demand note in the amount

of approximately $2.4 billion and an interest-bearing Note with a maturity of twelve years. Unicom Investment immediately sold the fossil plant assets to EME, in consideration of which Unicom Investment received approximately $4.8 billion in cash from EME. Immediately after its receipt of the cash payment from EME, Unicom Investment paid the $2.4 billion aggregate principal due to ComEd under the demand note. Unicom Investment will use the remainder of the cash received from EME to fund other business opportunities. Of the cash received by ComEd, $1.5 billion has been used to pay the costs and taxes associated with the fossil plant sale including ComEd's contribution of $250 million to an environmental trust as required by the 1997 Act. The remainder of the demand note proceeds will be available to ComEd to fund, among other things, transmission and distribution projects, nuclear generation station projects, and environmental and other initiatives. See Note 1 of Notes to Financial Statements, under "Investment in Leases," for additional information.

The sale produced an after-tax gain of approximately $1.6 billion, after recognizing commitments associated with certain coal contracts ($350 million), recognizing employee-related costs ($112 million) and contributing to the environmental trust. The coal contract costs include the amortization of the remaining balance of ComEd's regulatory asset for unrecovered coal reserves of $178 million and the recognition of $172 million of settlement payments related to the above-market portion of coal purchase commitments ComEd assigned to EME at market value upon completion of the fossil plant sale. The severance costs included pension and post-retirement welfare benefit curtailment and special termination benefit costs of $51 million and transition, separation and retention payments of $61 million. A total of 1,730 fossil station employee positions were eliminated upon completion of the fossil plant sale on December 15, 1999. The employees whose positions were eliminated have been terminated. Consistent with the provisions of the 1997 Act, the (pre-tax) gain on the sale of $2.587 billion resulted in a regulatory liability, which was used to recover regulatory assets. Therefore, the gain on the sale, excluding $43 million of amortization of investment tax credits, was recorded as a regulatory liability in the amount of $2.544 billion and amortized in the fourth quarter of 1999. The amortization of the regulatory liability and additional regulatory asset amortization of $2.456 billion are reflected in depreciation and amortization expense on Unicom's Statement of Consolidated Operations and resulted in a net reduction to depreciation and amortization expense of $88 million.

As part of the sale transaction, ComEd entered into transitional, limited term power purchase agreements with the buyer. Such purchase power agreements will increase ComEd's purchased power costs.

Liquidity and Capital Resources

UTILITY OPERATIONS

Construction Program. ComEd's construction program for the year 2000 principally covers improvements to its nuclear production, transmission and distribution facilities. The amount shown below for transmission and distribution expenditures reflects a current reevaluation of the level of expenditures required this year to support ComEd's ongoing intensive efforts to improve the reliability of its transmission and distribution systems. A significant portion of the transmission and distribution expenditures reflects management decisions to adopt new design criteria that will improve reliability and reduce the number and duration of power outages, and to accelerate the pace of certain projects that had been scheduled for completion after 2000. Current estimates of construction expenditures (excluding nuclear fuel expenditures of approximately $260 million) are as follows:

	2000 (Millions of Dollars)
Nuclear	$ 210
Transmission and Distribution	764
General	159
	$1,133

The construction expenditures in the above table reflect an increase of approximately $26 million from previously reported levels. The increased transmission and distribution expenditures will be used to fund infrastructure improvement projects, including the expansion of substation and line capacity in Chicago and suburban locations, upgrading transmission lines and the installation of monitoring equipment that is designed to identify distribution problems faster and restore power to customers more quickly. ComEd has experienced improved reliability of its distribution system during the past twelve months as measured by a reduction in the number and duration of power outages.

ComEd is currently evaluating its construction expenditures for the years 2001 and 2002 and expects expenditures for transmission and distribution construction to remain above historic expenditure levels in order to attain additional improvements in overall system reliability.

Purchase commitments for ComEd, principally related to construction, nuclear fuel and coal in support of certain power purchase agreements approximated $769 million at September 30, 2000. In addition, ComEd's estimated commitments for expected capacity payments and fixed charges related to power purchase agreements were as follows:

Period	Commitments(1) ($Millions)
2000 (Oct. through Dec.)	$ 87
2001	700
2002	585
2003-2004	927
2005-2012	917
	$3,216

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(1) Capacity payments may be adjusted based on certain conditions. No estimate of future cost escalation has been made.

See "Changes in the Electric Utility Industry," subcaptions "The 1997 Act" and "Fossil Plant Sale" above, for additional information.

Capital Resources. In December 1998, ComEd initiated the issuance of $3.4 billion of transitional trust notes through its SPEs, ComEd Funding and ComEd Funding Trust. The proceeds from the transitional trust notes, net of transaction costs, were, as required, used to redeem $1,101 million of long-term debt and $607 million of preference stock in 1999 and reduce by $500 million ComEd's outstanding short-term debt. During the year 1999, ComEd recorded an extraordinary loss related to the early redemptions of such long-term debt, which reduced net income on common stock by approximately $28 million (after-tax), or $0.13 per common share (diluted). ComEd also recorded $12 million (after-tax), or $0.05 per common share (diluted), for premiums paid in connection with the redemption of such preference stock. The preference stock premiums were included in the provision for dividends for preference stocks of ComEd on the Statements of Consolidated Operations. Unicom has also repurchased shares of its common stock using $1,104 million of proceeds it received from ComEd's repurchase of its common stock held by Unicom. The balance of proceeds were used for the payment of fees and other debt issuance costs totaling $23 million and a $17 million collateral requirement related to the transitional trust notes.

In January 2000, Unicom physically settled the forward share repurchase arrangements it had with financial institutions for the repurchase of 26.3 million Unicom common shares. Prior to settlement, the repurchase arrangements were recorded as a receivable on Unicom's Consolidated Balance Sheets based on the aggregate market value of the shares under the arrangements. In 1999, net unrealized losses of $44 million (after-tax), or $0.20 per common share were recorded related to the arrangements. The settlement of the arrangements in January 2000 resulted in a gain of $113 million (after-tax), which was recorded in the first quarter of 2000. The settlement of the arrangements resulted in a reduction in Unicom's outstanding common shares and common stock equity, effective January 2000.

Consistent with Unicom's $1 billion share repurchase commitment in the merger agreement with PECO, Unicom has completed the repurchase of 24 million shares of its common stock. The shares were repurchased from the open market over the recent ten months pursuant to agreements with financial institutions. Approximately $153 million of these share repurchases were funded with proceeds from the 1998 issuance of transitional trust notes.

During the third quarter of 2000, Unicom borrowed $1.2 billion under a credit agreement with several banks. Unicom expects to use $1.2 billion of lease prepayments, scheduled to be received in the fourth quarter of 2000, to repay the amounts borrowed pursuant to the credit agreement. See Note 1 of Notes to Financial Statements, under "Investment in Leases", for additional information

Proceeds from the credit agreement were used to fund the August 7, 2000 termination payment for Unicom Enterprises' $400 million credit facility of which $341 million was used as of August 7, 2000. The remaining proceeds from the credit agreement were used to fund share repurchases and other general corporate purposes.

ComEd forecasts that internal sources will provide approximately three-fourths of the funds required for ComEd's 2000 construction program and other capital requirements, including nuclear fuel expenditures, contributions to nuclear decommissioning funds, sinking fund obligations and scheduled debt maturities. See Notes 9 and 11 of Notes to Financial Statements for the summaries of the annual sinking fund requirements and scheduled maturities for ComEd preference stock and long-term debt, respectively.

See "Changes in the Electric Utility Industry," subcaption "Fossil Plant Sale" above, for a description of ComEd's planned uses of the fossil plant sale proceeds.

The type and amount of external financing will depend on financial market conditions and the needs and capital structure of ComEd at the time of such financing. ComEd had total unused bank lines of credit of $800 million at September 30, 2000, which may be borrowed at various interest rates. Of that amount, $500 million expires on December 15, 2000 and $300 million expires on December 17, 2002. The interest rate is set at the time of a borrowing and is based on several floating rate bank indices plus a spread, which is dependent upon the credit ratings of ComEd's outstanding first mortgage bonds or on a prime interest rate. See Note 12 of Notes to Financial Statements for additional information concerning lines of credit. See the Statements of Consolidated Cash Flows for the construction expenditures and cash flow from operating activities for the three months, nine months and twelve months ended September 30, 2000 and 1999.

As of September 30, 2000, ComEd has an effective "shelf" registration statement with the SEC for the future sale of up to an additional $280 million of debt securities and cumulative preference stock for general corporate purposes of ComEd, including the discharge or refund of other outstanding securities.

On October 20, 2000, following the announcement of the SEC's approval of the merger of Unicom and PECO, Moody's and Fitch affirmed their ratings of ComEd's securities. On October 18, 2000, S&P raised their ratings of ComEd's securities. The current ratings are as follows:

	Moody's	Standard & Poor's	Fitch
First mortgage and secured pollution control bonds......	Baa1	A-	A-
Publicly-held debentures and unsecured pollution control obligations..	Baa2	BBB+	BBB+
Convertible preferred stock............................	baa3	BBB	BBB
Preference stock.......................................	Baa2	BBB	BBB
Trust Securities.......................................	baa3	BBB	BBB
Commercial paper.......................................	P-2	A-2	F-2

ComEd Funding Trust's securities are currently rated by three principal securities rating agencies as follows:

	Moody's	Standard & Poor's	Fitch
Transitional trust notes	Aaa	AAA	AAA

Capital Structure. ComEd's ratio of long-term debt to total capitalization has increased to 59.2% at September 30, 2000 from 55.2% at December 31, 1999, primarily due to the repurchase of common stock in the first nine months of 2000. As of September 30, 2000 and December 31, 1999, $1,210 million and $852 million, respectively, of retained earnings had been appropriated for ComEd's future dividend payments.

New Customer Information and Billing system. In July 1998, ComEd began a transition to a new customer information and billing system. The new system was implemented to achieve a number of strategic objectives as the electric industry enters into a more competitive environment. Following the July 1998 initial implementation, ComEd experienced delays in issuing bills on a timely basis to a portion of its commercial and industrial customers. ComEd also temporarily suspended credit activities from late in the third quarter of 1998 until the end of the first quarter of 1999 as a result of system implementation issues. The system stabilized gradually throughout 1999 such that by the fourth quarter of 1999 substantially all customers were being billed on a current basis. Operating results for twelve months ended September 30, 1999 were adversely affected by increased labor and overtime costs incurred to address the billing issues, and by increased charges for uncollectible accounts of approximately $35 million resulting from the billing and collection delays and the temporary suspension of credit activities. Cash flows from operations were adversely affected in the twelve months ended September 30, 1999 and positively affected in the twelve months ended September 30, 2000 as a result of the billing delays experienced due to implementation. Receivables from customers as of September 30, 2000 and December 31, 1999 include $53 million and $103 million, respectively, for estimated unbilled revenues for service that has been provided to customers but for which bill issuance was delayed beyond the normal date of issuance. See "Results of Operations," subcaption "Operation and Maintenance Expenses" below, and Note 1 of Notes to Financial Statements, under "Customer Receivables and Revenues" and "Use of Estimates," for additional information.

Market Risks. ComEd is exposed to market risk due to changes in interest rates and the market price for electricity. Exposure for interest rate changes relates to its long-term debt and preferred equity obligations. Exposure to electricity market price risk relates to forward activities taken to manage effectively the supply of, and demand for, the electric generation capability of ComEd's generating plants. ComEd has implemented an integrated risk management framework to manage such risks. A corporate Risk Management Committee defines the Company's risk tolerance and establishes appropriate position limits, and corporate policies and procedures have been implemented to minimize the exposure to market risk. ComEd does not currently utilize derivative commodity or financial instruments for trading or speculative purposes.

See "Energy Risk Management Contracts" in Note 1 of Notes to Financial Statements regarding the accounting for energy risk management contracts.

Market Price Exposure. ComEd's energy purchases from other suppliers have increased as a result of reductions in owned generating capability and system load growth. The market price of energy is subject to price volatility associated with changes in supply and demand in the electric supply markets. In the normal course of business, ComEd utilizes contracts for the forward sale and purchase of energy to assure system reliability and manage effectively the utilization of its available generating capability. ComEd also utilizes put and call option contracts and energy swap

arrangements to limit the market price risk associated with the forward commodity contracts. The estimated September 30, 2000 fair value of the forward contracts, including options, for the purchase and sale of energy for the years 2000 through 2007, was approximately $10 million. The estimated fair value is based on the estimated net settlement value of the contracts derived from forward price curves and market quotes, discounted at a 10% rate. A 10% increase in the forward price of electricity would decrease the September 30, 2000 fair value of the forward energy contracts for the years 2000-2007 by approximately $100 million, of which approximately $50 million is for contracts for the period 2000-2002. Likewise, a 10% decrease would increase the fair value of the energy contracts by approximately $100 million. Notwithstanding these price risk management activities, an unexpected loss of generating capability or reduction in demand could increase ComEd's exposure to market price risks and could have a material adverse effect on operating results.

Unicom Energy Inc., has entered into gas sales contracts which are hedged with gas supply contracts at lower prices. Unicom Energy Inc.'s margin per therm of gas delivered is not significantly affected by the market price of gas. Unicom Energy Inc. has also entered into electricity contracts for which the mark-to-market at September 30, 2000 is not material.

UNREGULATED OPERATIONS

Unicom Enterprises is engaged, through subsidiaries, in energy service activities which are not subject to utility regulation by federal or state agencies. One of these subsidiaries, UT Holdings, provides district cooling and related services to offices and other buildings in the central business district of the City and in other cities in North America, generally working with local utilities. District cooling involves, in essence, the production of chilled water at one or more central locations and its circulation to customers' buildings through a closed circuit of supply and return piping. Such water is circulated through customers' premises primarily for air conditioning. This process is used by customers in lieu of self-generated cooling.

Unicom Energy Services, another subsidiary of Unicom Enterprises, is engaged in providing energy services, including gas services, performance contracting, distributed energy and energy management systems. Through an alliance with AlliedSignal Power Systems, Inc., a subsidiary of Honeywell, Unicom Energy Services is an exclusive distributor for the Parallon 75(TM) TurboGenerator system, which was developed by AlliedSignal to provide customers with on-site electricity production. Unicom Energy Services' exclusive territory for distributing the Parallon 75(TM) system encompasses 12 Midwest states, Ontario, Canada and Puerto Rico.

Unicom Energy Inc., a subsidiary of Unicom Energy Services, is currently engaged in providing retail gas services to commercial and industrial customers in the Midwest region. Unicom Energy Inc. also provides retail electric services as a RES.

Unicom Mechanical Services Inc., a subsidiary of Unicom Enterprises, designs, installs and services through various subsidiaries heating, ventilating and air conditioning facilities and building control systems for commercial and industrial customers located in the Midwest.

Construction Program and Purchase Commitments. Unicom Enterprises estimate of construction expenditures for its unregulated operations is $150 million for the year 2000, excluding expenditures for acquisitions contemplated by subsidiaries of Unicom Enterprises.

Unicom Enterprises' construction expenditures include $48 million for the expansion of UT Holdings' Chicago district cooling facilities and the related distribution piping and plants in other cities.

Unicom Power Holdings purchased approximately 440 MW of combustion turbine generators and auxiliary equipment for approximately $165 million. It was determined that the equipment was no longer needed and is being marketed for sale.

Unicom Enterprises purchase commitments, principally related to equipment purchases and the expansion of UT Holdings' district cooling facilities and the related distribution piping in Chicago and other cities, approximated $60 million at September 30, 2000.

Capital Resources. Unicom's primary source of funds for investment in its unregulated subsidiaries have been the fossil plant sale proceeds, dividends received on its ComEd common stock and from borrowings. The availability of ComEd's dividends to Unicom is dependent on ComEd's financial performance and cash position, as well as legal restrictions on the payment of dividends by public utilities. These legal restrictions come from the Federal Power Act and the Illinois Public Utilities Act, which generally prohibit payment of dividends in the absence of earnings and earned surplus in the absence of regulatory authorization. The "Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject to the Provisions of the Federal Power Act" provides a mechanism whereby utilities with insufficient retained earnings balances may nontheless pay dividends out of current earnings as long as current earnings have been appropriated. Other forms of financing by ComEd or the unregulated subsidiaries of Unicom, such as additional loans or additional equity investments, which are not expected, would be subject to prior approval by the ICC.

The fossil plant sale proceeds received by Unicom Investment, after the payment of the demand note to ComEd, were used to fund share repurchases and to invest in new business opportunities. See "Changes in the Electric Utility Industry" subcaption "Fossil Plant Sale" above, and Notes 1 and 23 of Notes to Financial Statements for additional information.

Unicom Thermal redeemed the $115.8 million outstanding balance of the 7.38% unsecured guaranteed senior Note on July 12, 2000. Unicom Thermal recorded an extraordinary loss related to the early redemption premiums paid and the write-off of unamortized debt expenses, which reduced Unicom's net income on common stock by approximately $3.5 million (after-tax) in the third quarter of 2000.

In May 2000, Northwind Chicago issued $28 million of 9.09% guaranteed senior Notes due January 31, 2020, the proceeds of which will be used primarily to finance certain project construction costs. The Notes were guaranteed by Unicom and included certain covenants with respect to Unicom and Northwind Chicago's operations.

In June 1999, Northwind Midway issued $12 million of 7.68% guaranteed senior Notes due June 2023, the proceeds of which will be used primarily to finance certain project construction costs.

Capital Structure. Unicom's ratio of long-term debt to total capitalization has increased to 63.8% at September 30, 2000 from 55.6% at December 31, 1999, primarily due to the repurchase of common stock in the first nine months of 2000. As of September 30, 2000 and December 31, 1999, $1,009 million and $716 million, respectively, of retained earnings had been appropriated for Unicom's future dividend payments.

Regulation

ComEd and Indiana Company are subject to federal and state regulation in the conduct of their respective businesses. Such regulation includes rates, securities issuance, nuclear operations, environmental and other matters. Particularly in the cases of nuclear operations and environmental matters, such regulation can and does affect operational and capital expenditures.

Rate Matters. See "Changes in the Electric Utility Industry," subcaption "The 1997 Act" above, for information regarding the effect of the 1997 Act on rate matters.

Nuclear Matters. Nuclear operations have been, and remain, an important focus of ComEd. ComEd operates five nuclear plants--Braidwood, Byron, Dresden, LaSalle and Quad Cities Stations, and is committed to safe, reliable and efficient operation.

On May 6, 1999, ComEd's LaSalle Station was officially removed from the NRC's listing of plants that require increased regulatory scrutiny. LaSalle Station had been on this list since January 1997. Concurrent with the LaSalle Station action, the NRC announced the formal removal of the Quad Cities Station from its list of plants with declining performance trends. Quad Cities Station had been on the declining trend list since January 1998. With these actions, all of ComEd's nuclear plants are now placed in the NRC's "routine oversight" category.

The NRC and representatives of ComEd's management have met, and will continue to meet periodically as part of the NRC's normal oversight process, to discuss the overall performance of the ComEd nuclear program.

Based on ComEd's most recent study, decommissioning costs are estimated to be $5.6 billion in current-year (2000) dollars, including a contingency allowance. These expenditures are expected to occur primarily during the period from 2007 through 2034. All such costs are expected to be funded by the external decommissioning trusts, which ComEd established in compliance with Illinois law and into which ComEd has been making annual contributions. Future decommissioning cost estimates may be significantly affected by the adoption of, or changes to NRC regulations, as well as changes in the assumptions used in making such estimates, including changes in technology, available alternatives for the disposal of nuclear waste and inflation.

Since 1995, ComEd has collected decommissioning costs from its ratepayers in conjunction with a rider to its tariffs. The rider allows annual adjustments to decommissioning cost collections outside the context of a traditional rate proceeding and will continue under the 1997 Act. See Note 1 of Notes to Financial Statements, under "Depreciation, Amortization of Regulatory Assets and Liabilities, and Decommissioning," for additional information regarding decommissioning costs.

Environmental Matters. ComEd is involved in administrative and legal proceedings concerning air quality, water quality and other matters. The outcome of these proceedings may require increases in future construction expenditures and operating expenses and changes in operating procedures. See Note 21 of Notes to Financial Statements for additional information.

Results of Operations

Unicom's basic and diluted earnings per common share for three months, nine months and twelve months ended September 30, 2000 and 1999 were as follows:

	Three Months Ended September 30		Nine Months Ended September 30		Twelve Months Ended September 30	
	2000	1999	2000	1999	2000	1999
Basic Earnings per Common Share	$ 0.94	$ 1.29	$ 2.78	$ 2.16	$ 3.17	$ 2.67
Diluted Earnings per Common Share	$ 0.93	$ 1.28	$ 2.76	$ 2.15	$ 3.16	$ 2.66

Substantially all of the results of operations for Unicom are the results of operations for ComEd. As such, the following section generally discusses, in more detail, the effect of ComEd's operations on Unicom's financial results. EPS computations for the recent three, nine and twelve month periods were positively affected by reductions in Unicom's outstanding shares as a result of share repurchases. All EPS computations shown below reflect the impact on Unicom's diluted EPS.

Net Income for the Three Months Ended September 30, 2000. The decrease in Unicom's net income in the recent three-month period reflects, among other factors, ComEd's increased energy costs, higher O&M expenses and increased regulatory asset amortization, partially offset by improved nuclear operating performance.

Net Income for the Nine Months Ended September 30, 2000. The increase in ComEd's net income in the recent nine-month period reflects, among other factors, the continued improvement of ComEd's nuclear fleet, increased kilowatthour sales, lower O&M expenses, lower financing costs and a reduction in Unicom's outstanding shares partially offset by higher energy costs.

Net Income for the Twelve Months Ended September 30, 2000. The increase in earnings for the twelve-month period was primarily due to increased off-system kilowatthour sales, the sale of ComEd's fleet of fossil stations, lower financing costs, a reduction in Unicom's outstanding common shares, partially offset by increased regulatory asset amortization, higher energy costs and higher O&M expenses.

Operating Revenues. ComEd's electric operating revenues reflect revenues from sales to ultimate consumers (including residential, commercial and industrial customers within its service territory) and revenues from sales for resale (i.e., sales to wholesale customers, principally other electric utilities). Operating revenues are affected by kilowatthour sales and rate levels. Kilowatthour sales, in turn, are affected by weather, the level of economic activity within ComEd's service area, and off-system or wholesale sales to other utilities. Off-system sales are affected by a number of factors, including nuclear generating station availability and performance. See Note 1 of Notes to Financial Statements, under "Use of Estimates" and "Customer Receivables and Revenues", for additional information.

ComEd's operating revenues increased $17 million for the three months ended September 30, 2000, compared to the three months ended September 30, 2000, primarily due to a $120 million increase in off-system sales and other revenues offset by a $103 million reduction in sales to retail customers. ComEd's operating revenues increased $71 million for the nine months ended September 30, 2000, compared to the nine months ended September 30, 2000, primarily due to a $354 million increase in off-system sales and other revenues partially offset by a $284 million reduction in sales to retail customers. ComEd's operating revenues increased $7 million for the twelve months ended September 30, 2000, compared to the twelve months ended September 30, 2000 due to a $378 million increase in off-system sales and other revenues partially offset by a $353 million reduction in sales to retail customers.

Unicom's unregulated businesses' operating revenues increased $19 million, $307 million and $347 million in the three months, nine months and twelve months ended September 30, 2000, respectively, compared to the three months, nine months and twelve months ended September 30, 2000. The increase is primarily due to the acquisition of new businesses during the recent 12-month period and increased revenues related to performance contracting and district cooling services.

Energy Costs. Energy costs are currently affected primarily by system load, the cost of nuclear fuel consumed, the availability and net generation of ComEd's nuclear generating units, the PPAs ComEd entered into upon the sale of its fossil stations, the availability and cost of power from other utilities and the costs of gas supply contracts entered into by Unicom's unregulated gas services subsidiaries. Prior to the sale of ComEd's fossil stations, energy costs were also affected by changes in the cost of fossil fuels consumed and changes in the mix of fuel sources of electric energy generated. Energy costs, electricity available for sale and fuel sources of kilowatthour generation were as follows:

	Three Months Ended September 30				Nine Months Ended September 30				Twelve Months Ended September 30			
	2000		1999		2000		1999		2000		1999	
	Energy Costs	Cost per Kwh	Energy Costs	Cost per Kwh	Energy Costs	Cost per Kwh	Energy Costs	Cost per Kwh	Energy Costs	Cost per Kwh	Energy Costs	Cost per Kwh
	(000's)		(000's)		(000's)		(000's)		(000's)		(000's)	
Cost of energy:												
Electric (ComEd)												
Fuel												
Nuclear...........	$ 97,207	0.48c	$107,455	0.53c	$ 294,046	0.49c	$ 287,778	0.52c	$ 386,758	0.49c	$ 371,987	0.52c
Coal..............	--	--	160,893	2.19	--	--	431,719	2.30	94,177	2.08	589,151	2.37
Oil...............	--	--	4,475	5.69	--	--	6,659	5.07	1,195	9.09	8,276	5.81
Natural gas.......	--	--	29,358	2.80	--	--	70,498	2.98	12,524	5.91	80,285	3.11
Purchased power....	689,629	5.82	249,375	7.74	1,287,018	4.34	419,358	5.81	1,419,235	4.17	520,987	5.52
Total electric energy cost......	$786,836	2.45c	$551,556	1.73c	$1,581,064	1.76c	$1,216,012	1.46c	$1,913,889	1.63c	$1,570,686	1.45c
Gas (Unregulated operations)												
Supply contracts...	$ 46,265		$ --		$ 123,863		$ --		$ 125,588		$ --	
Total energy cost..	$833,101		$551,556		$1,704,927		$1,216,012		$2,039,477		$1,570,686	
Electricity available for sale (millions of kilowatthours)												
Generation--net...	20,223		28,627		60,293		76,319		83,659		99,021	
Purchased power...	11,851		3,222		29,684		7,215		34,030		9,445	
Total available for sale.........	32,074		31,849		89,977		83,534		117,689		108,466	
Sources of kilowatthour generation available for sale:												
Fuel												
Nuclear...........	63%		64%		67%		66%		67%		66%	
Coal..............	--		23		--		22		4		23	
Oil...............	--		--		--		--		--		--	
Natural gas.......	--		3		--		3		--		2	
Purchased power...	37		10		33		9		29		9	
	100%		100%		100%		100%		100%		100%	

Higher energy costs for the three months, nine months and twelve months ended September 30, 2000 resulted primarily from the effects of the PPAs ComEd entered into upon the sale of its fleet of fossil stations which increase purchased power costs but are offset by lower depreciation and O&M expenses. Costs associated with Unicom Energy's gas supply contracts also contributed to higher

energy costs for the recent three, nine and twelve months ended September 30, 2000. See "Regulation," subcaption "Nuclear Matters" above, for information regarding ComEd's nuclear generating stations. For additional information concerning ComEd's purchase power commitments see "Liquidity and Capital Resources," subcaption "UTILITY OPERATIONS--Construction Program," above and Note 21 of Notes to Financial Statements.

The market price for electricity is subject to price volatility associated with changes in supply and demand in the electric supply markets. ComEd utilizes energy put and call option contracts and energy swap arrangements to limit market price risk associated with forward commodity contracts. See "Liquidity and Capital Resources," subcaption "UTILITY OPERATIONS--Market Risks" above, for additional information.

Operation and Maintenance Expenses. O&M expenses include the expenses associated with operating and maintaining ComEd's generation, transmission and distribution assets, as well as administrative overhead and support, and the expenses associated with Unicom's unregulated businesses. Given the variety of expense categories covered, there are a number of factors which affect the level of such expenses within any given period. A major component of such expenses, however, is the cost associated with operating and maintaining ComEd's nuclear generating facilities. Generating station expenses are affected by the cost of materials, regulatory requirements and expectations, the age of facilities and cost control efforts.

During the three months, nine months and twelve months ended September 30, 2000, the aggregate level of O&M expenses increased 12%, decreased 2% and increased 1%, respectively, compared to the same periods ended September 30, 1999.

O&M expenses associated with nuclear generating stations increased $21 million, and decreased $62 million and $100 million during the three months, nine months and twelve months ended September 30, 2000, respectively, compared to the same periods ended September 30, 1999. The increase in the recent three-month period is due to refueling outages which began in mid-September. There were no refueling outages in the third quarter of 1999. The decreases in the recent nine-month and twelve-month periods were due to shorter refueling outages and fewer forced outages.

O&M expenses associated with ComEd's fossil generating stations sold in December 1999 were $51 million for the three months and $183 million for the nine months ended September 30, 1999 and $37 million and $248 million for the twelve months ended September 30, 2000 and September 30, 1999, respectively.

O&M expenses associated with ComEd's transmission and distribution system increased $13 million, $85 million and $104 million for the three months, nine months and twelve months ended September 30, 2000, respectively, compared to the same periods ended September 30, 1999. The increases for the recent three-month, nine-month and twelve-month periods were primarily due to ComEd's intensive efforts to improve the reliability of its transmission and distribution systems. O&M expenses associated with customer related activities decreased $16 million, $15 million and $2 million for the three months, nine months and twelve months ended September 30, 2000, respectively, compared to the same periods ended September 30, 1999. The decrease in the recent three-month, nine-month and twelve-month periods were primarily due to increased credit and collection activity and lower overtime and labor costs incurred during the three-month, nine-month and twelve-month periods ended September 30, 1999 to address billing problems encountered following the implementation of a new customer information and billing system in July 1998.

O&M expenses for the twelve months ended September 30, 2000 reflect an increase of $68 million in ComEd's estimated environmental liability for the remediation of former manufactured gas plant sites compared to the same period ended September 30, 1999. O&M expenses for the nine and twelve

months ended September 30, 1999 also reflect increased charges of $25 million and $35 million, respectively, for uncollectible accounts resulting from billing and collection delays experienced following the ongoing implementation of a new customer information system and the temporary suspension of credit activities in the last half of 1998 and early 1999.

O&M expenses also include employee benefits expenses. Since 1995, ComEd has reduced the size of its workforce by offering incentives for employees to leave the company voluntarily. Such incentives included both current payments and earlier eligibility for postretirement health care benefits, in addition to certain other employee-related costs, resulting in charges of $33 million and $2 million for the three months ended September 30, 2000 and 1999, respectively, $47 million and $7 million for the nine months ended September 30, 2000 and 1999, respectively, and $50 million and $23 million for the twelve months ended September 30, 2000 and 1999, respectively, other than costs related to the fossil plant sale.

Other ComEd employee benefits expenses, excluding the effects of employee separation plans and certain other employee-related costs increased $18 million and decreased $20 million and $29 million for the three months, nine months and twelve months ended September 30, 2000, respectively, compared to the same periods ended September 30, 1999. The increase for the recent three-month period was primarily due to higher accruals for incentive compensation. The decreases for the recent nine-month and twelve-month periods were primarily due to a reduction in pension costs and medical costs for active and retired employees.

O&M expenses also include increases of $9 million, $26 million and $26 million for the recent three, nine and twelve months ended September 30, 2000, respectively, for expenses, other than severance, incurred in connection with the merger with PECO.

O&M expenses included a $25 million charge for the nine months and twelve months ended September 30, 1999 as a result of a franchise related settlement agreement between ComEd and the City.

O&M expenses also include increases of $28 million, $52 million and $52 million for the recent three, nine and twelve months ended September 30, 2000, respectively, for the rental of gas and diesel peaking units.

O&M expenses decreased $47 million, $76 million and $51 million for the three, nine and twelve months ended September 30, 2000, compared to the same periods ended September 30, 1999, due to lower administrative and general costs.

O&M expenses associated with Unicom's unregulated businesses increased $67 million, $165 million and $195 million for the three months, nine months and twelve months ended September 30, 2000, respectively, compared to the same periods ended September 30, 1999. The increase is primarily related to (more to come).

Depreciation, Amortization and Decommissioning. Depreciation, amortization and decommissioning expense increased $28 million, $131 million and $45 million for the three months, nine months and twelve months ended September 30, 2000, respectively, compared to the same periods ended September 30, 1999 primarily due to increased regulatory asset amortization. The regulatory asset amortization recorded for the three months, nine months and twelve months ended September 30, 2000 represent amounts calculated in accordance with the earnings cap provisions of the 1997 Act. Consistent with the provisions of the 1997 Act, the (pre-tax) gain on the fossil plant sale of $2.587 billion resulted in a regulatory liability, which was used to recover regulatory assets. Therefore, the gain on the sale, excluding $43 million of amortization of investment tax credits, was recorded as a regulatory liability in the amount of $2.544 billion and amortized in the fourth quarter of 1999. The amortization of the regulatory liability and additional regulatory asset amortization of $2.456 billion

are reflected in depreciation and amortization expense on Unicom's Statements of Consolidated Operations and resulted in a net reduction to depreciation and amortization expense of $88 million for the twelve months ended September 30, 2000. See Note 1 of Notes to Financial Statements, under "Depreciation, Amortization of Regulatory Assets and Liabilities, and Decommissioning," for additional information.

Interest on Debt. Changes in interest on long-term debt and notes payable for the three months, nine months and twelve months ended September 30, 2000, compared to the same periods ended September 30, 1999, were due to changes in average interest rates and in the amounts of long-term debt and notes payable outstanding. Changes in interest on ComEd's long-term debt also reflected new issues of debt, the retirement and early redemption of debt, and the retirement and redemption of issues which were refinanced at generally lower rates of interest. See Notes 3 and 6 of Notes to Financial Statements for information regarding the redemptions and repurchases of debt and equity. The average amounts of ComEd's long-term debt and notes payable outstanding and average interest rates thereon were as follows:

	Three Months Ended September 30		Nine Months Ended September 30		Twelve Months Ended September 30	
	2000	1999	2000	1999	2000	1999
Long-term debt outstanding:						
Average amount (millions)............	$ 7,163	$ 7,998	$7,360	$8,227	$ 7,469	$ 7,671
Average interest rate..	7.12%	6.77%	6.96%	6.76%	6.90%	7.01%
Notes payable outstanding:						
Average amount (millions)............	$ 437	$ 381	$ 271	$ 298	$ 300	$ 311
Average interest rate..	6.87%	5.50%	6.75%	5.84%	6.44%	5.59%

Other Items. The amounts of AFUDC reflect changes in the average levels of investment subject to AFUDC and changes in the average annual capitalization rates as discussed in Note 1 of Notes to Financial Statements, under "AFUDC and Interest Capitalized." In accordance with SFAS No. 34, Capitalization of Interest Cost, ComEd capitalized $2 million and $4 million for the three months ended September 30, 2000 and 1999, respectively, $4 million and $16 million for the nine months ended September 30, 2000 and 1999, respectively, and $10 million and $31 million for the twelve months ended September 30, 2000 and 1999, respectively, of interest costs on its generation-related construction work in progress and nuclear fuel in process. AFUDC and interest capitalized do not contribute to the current cash flow of Unicom or ComEd.

ComEd's ratios of earnings to fixed charges for the twelve months ended September 30, 2000 and December 31, 1999 were 2.48 and 2.45, respectively. ComEd's ratios of earnings to fixed charges and preferred and preference stock dividend requirements for the twelve months ended September 30, 2000 and December 31, 1999 were 2.44 and 2.32, respectively.

Business corporations, in general, have been adversely affected by inflation because amounts retained after the payment of all costs have been inadequate to replace, at increased costs, the productive assets consumed. Electric utilities, in particular, have been especially affected as a result of their capital intensive nature and regulation which limits capital recovery and prescribes installation or modification of facilities to comply with increasingly stringent safety and environmental requirements. Because the regulatory process limits the amount of depreciation expense included in ComEd's revenue allowance to the original cost of utility plant investment, the resulting cash flows are inadequate to provide for replacement of that investment in future years or preserve the purchasing power of common equity capital previously invested.

Foward-Looking Information. Except for historical data, the information contained herein constitutes forward-looking statements. Forward-looking statements are inherently uncertain and

subject to risks. Such statements should be viewed with caution. Actual results or experience could differ materially from the forward-looking statements as a result of many factors. Forward-looking statements in this report include, but are not limited to: (1) statements regarding expectations of revenue reductions and collections of future CTC revenues as a result of the 1997 Act in "Management's Discussion and Analysis of Financial Condition and Results of Operations," subcaption "Changes in the Electric Utility Industry--The 1997 Act," and in Notes 1 and 3 of Notes to Financial Statements, (2) statements regarding estimated capital expenditures in "Management's Discussion and Analysis of Financial Condition and Results of Operations," subcaptions "Liquidity and Capital Resources--UTILITY OPERATIONS--Construction Program" and "Liquidity and Capital Resources--UNREGULATED OPERATIONS--Construction Program," and "Changes in the Electric Utility Industry--Response to Regulatory Changes," (3) statements regarding the costs of decommissioning nuclear generating stations in "Management's Discussion and Analysis of Financial Condition and Results of Operations," subcaption "Regulation--Nuclear Matters," and in Note 1 of Notes to Financial Statements, under "Depreciation, Amortization of Regulatory Assets and Liabilities and Decommissioning," (4) statements regarding cleanup costs associated with MGPs and other remediation sites in Note 21 of Notes to Financial Statements, (5) statements regarding the estimated fair value of forward energy contracts in "Management's Discussion and Analysis of Financial Condition and Results of Operations," subcaption "Liquidity and Capital Resources-- UTILITY OPERATIONS--Market Risks," (6) statements regarding the use of fossil plant sale proceeds in "Management's Discussion and Analysis of Financial Condition and Results of Operations," subcaptions "Changes in the Electric Utility Industry--Fossil Plant Sale," "Liquidity and Capital Resources--UTILITY OPERATIONS--Construction Program," and "Liquidity and Capital Resources--UNREGULATED OPERATIONS--Capital Resources," and in Note 4 of Notes to Financial Statements, (7) statements regarding estimates of claims resulting from the summer of 1999 outages set forth in Note 21 of Notes to Financial Statements, (8) statements regarding ComEd's transfer of nuclear assets, including the decommissioning trust funds, in Notes 1 and 2 of Notes to Financial Statements and in "Management's Discussion and Analysis of Financial Condition and Results of Operations" subcaption "Changes in the Electric Utility Industry--Merger Agreement" and (9) statements regarding the withdrawal of ComEd's facilities from the MISO and ComEd's responsibility for start-up costs associated with the MISO under the transmission owners' agreement. Management cannot predict the course of future events or anticipate the interaction of multiple factors beyond management's control and their effect on revenues, project timing and costs. The statements regarding revenue reductions and collections of future CTC revenues are subject to unforeseen developments in the market for electricity in Illinois resulting from regulatory changes. The statements regarding estimated capital expenditures, decommissioning costs and cleanup costs are subject to changes in the scope of work and manner in which the work is performed and consequent changes in the timing and level of the projected expenditure, and are also subject to changes in laws and regulations or their interpretation or enforcement. The statements regarding the fair value of forward energy contracts are subject to changes in generating capability and reduction in the demand for electricity. The statement regarding the use of proceeds from the fossil plant sale is subject to the possibility that regulatory action might affect the amount and use of such proceeds and the possibility that, due to changing market conditions, Unicom and ComEd may determine that other uses of the proceeds may be in their best interest. The statements regarding estimates of claims resulting from the summer of 1999 outages are subject to the risk that the actual amount of losses suffered by customers and restoration costs may exceed the estimated amounts. The statements regarding ComEd's transfer of nuclear assets, including the decommissioning trust funds, are subject to the risk of unsatisfactory resolution of significant regulatory and tax issues. The statements regarding the timing of withdrawal of ComEd's facilities from the MISO and ComEd's responsibility for start-up costs associated with the MISO are subject to resolution of legal issues raised, and expected to be raised, by the MISO. Unicom and ComEd make no commitment to disclose any revisions to the forward-looking statements, or any facts, events or circumstances after the date hereof that may bear upon forward-looking statements.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

On June 12, 2000, the NRC issued to ComEd an Order imposing a civil penalty of $110,000 for a violation of NRC employee protection regulations at Zion Station in 1997. On August 11, 2000, ComEd notified the NRC that it would not request a hearing, although it did not agree that a violation had occurred, and paid the civil penalty.

During 1989 and 1991, actions were brought in federal and state courts in Colorado against ComEd and Cotter seeking unspecified damages and injunctive relief based on allegations that Cotter has permitted radioactive and other hazardous material to be released from its mill into areas owned or occupied by the plaintiffs resulting in property damage and potential adverse health effects. With respect to Cotter, in 1994 a federal jury returned nominal dollar verdicts on eight plaintiffs' claims in the 1989 cases, which verdicts were upheld on appeal. The remaining claims in the 1989 actions have been settled and dismissed. On July 15, 1998, a jury verdict was rendered in Dodge v. Cotter (United States District Court for the District of Colorado, Civil Action No. 91-Z-1861), a case relating to 14 of the plaintiffs in the 1991 cases. The verdict against Cotter and in favor of the plaintiffs, after an amended judgement was issued March 11, 1999, totaled approximately $6 million, including compensatory and punitive damages, interest and medical monitoring. Cotter appealed. On February 11, 2000, the Tenth Circuit Court of Appeals agreed with Cotter, found that the trial judge had erred in critical rulings and reversed the jury verdict, remanding the case for new trial. A trial involving the next group of twelve plaintiffs is currently underway in federal district court in Denver. Although this trial and the other 1991 cases will necessarily involve the resolution of numerous contested issues of law and fact, it is the Company's assessment that these actions will not have a material impact on its financial position or operations.

In August of 1999, three class action lawsuits were filed against the Company related to a series of service interruptions. The two primary events occurred on July 30 through August 2, 1999. Another significant outage occurred on August 12, 1999. The outages of July 30, 1999, described as the Northwest Substation events, began during a period of intense heat and humidity. On August 12, 1999, in what is described as the Jefferson Substation event, ComEd interrupted service to customers on the near north and near west side of the Loop. While major commercial customers were affected, all service was restored in this event on the same date. The combined effect of these events resulted in over 168,000 customers losing service for more than 4 hours. The class action complaints have been consolidated and seek to recover damages for personal injuries and property damage, as well as economic loss for these events. Further, ComEd initiated expedited claim settlements for those with primarily food spoilage claims and has paid over $4 million to date. Conditional class certification has been approved by the Court for the sole purpose of exploring settlement talks. For purposes of such discussions, the outages described above, as well as lesser events through August 31, 1999, will be considered. If talks are not productive, either side can withdraw unilaterally. The Company has repeatedly declared that it will pay no economic damages and will vigorously defend against such claims. The lawsuits are pending in the Circuit Court of Cook County. ComEd filed a motion challenging the legal sufficiency of the consolidated complaints. On July 21, 2000, the judge dismissed two of the counts with prejudice, and four others with leave to replead. The plaintiffs filed an amended complaint on August 29, 2000. ComEd has again filed a motion seeking dismissal of the pleadings. The plaintiffs have not yet responded. The next status before the Court is set for November 10, 2000. Argument on the motion to dismiss will likely occur in December 2000. A portion of any settlement or verdict may be covered by insurance and discussions with the carrier are ongoing. ComEd's management believes adequate reserves have been established in connection with these cases.

Following the summer 1999 service interruptions, the ICC opened a three-phase investigation of the design and reliability of ComEd's transmission and distribution system. At the conclusion of each

phase of the investigation, the ICC will issue reports that will include specific recommendations for ComEd and a timetable for executing the recommendations. Although the recommendations are not legally binding on ComEd, the ICC may enforce the recommendations through litigation. The report on Phase I of the investigation was released the week of January 3, 2000, which focused on the outages of July and August 1999. The first and second of five reports on Phase II and Phase III, focusing on the transmission and distribution system, were released during the weeks of June 5 and June 17, respectively. The third report is anticipated later this year. The investigation is expected to conclude by early 2001. Since summer 1999, the Company has devoted significant resources to improving the reliability of its transmission and distribution system. The Company believes that the likelihood of a successful material claim resulting from this investigation is remote. The investigation is expected to conclude by early 2001.

In 1996, several developers of non-utility generating facilities filed litigation against various Illinois officials claiming that the enforcement against those facilities of an amendment to Illinois law removing the entitlement of those facilities to state-subsidized payments for electricity sold to ComEd after March 15, 1996 violated their rights under the federal and state constitutions, and against ComEd for a declaratory order that their rights under their contracts with ComEd were not affected by the amendment. On August 4, 1999, the Illinois Appellate Court held that the developers' claims against the State were premature, and the Illinois Supreme Court denied leave to appeal that ruling by Order dated December 1, 1999. On April 14, 2000, the developer of one such facility requested leave to amend its complaint to allege claims for damages against ComEd based on breach by ComEd of an alleged contractual obligation to pay for electricity purchased from that developer at the state-subsidized rate. ComEd has objected to the developer's request for leave to amend, and intends vigorously to contest any assertion by such developer that it is entitled to any payment in excess of ComEd's avoided costs.

CERCLA provides for immediate response and removal actions coordinated by the U.S. EPA to releases of hazardous substances into the environment and authorizes the U.S. Government either to clean up sites at which hazardous substances have created actual or potential environmental hazards or to order persons responsible for the situation to do so. Under CERCLA, generators and transporters of hazardous substances, as well as past and present owners and operators of hazardous waste sites, are made strictly, jointly and severally liable for the cleanup costs of waste at sites, most of which are listed by the U.S. EPA on the NPL. These responsible parties can be ordered to perform a cleanup, can be sued for costs associated with a U.S. EPA directed cleanup, may voluntarily settle with the U.S. Government concerning their liability for cleanup costs, or may voluntarily begin a site investigation and site remediation prior to listing on the NPL under state oversight. Various states, including Illinois, have enacted statutes which contain provisions substantially similar to CERCLA. ComEd and its subsidiaries are or are likely to become parties to proceedings initiated by the U.S. EPA, state agencies and/or other responsible parties under CERCLA with respect to a number of sites, including MGP sites, or may voluntarily undertake to investigate and remediate sites for which they may be liable under CERCLA. See Note 21 of Notes to Financial Statements for information regarding costs associated with investigating and remediating former MGP sites.

From time to time, Unicom and its subsidiaries are, or are claimed to be, in violation of or in default under orders, statutes, rules or regulations relating to environmental controls and other matters, compliance plans imposed upon or agreed to by them or permits issued by various state and federal agencies for the construction or operation of their facilities. Unicom and ComEd does not believe, so far as they now foresee, that such violations or defaults will have a material adverse effect on their future business and operating results, except for events otherwise described in Unicom and ComEd's Annual Reports on Form 10-K for the year ended December 31, 1999 or in this Quarterly Reports on Form 10-Q for the quarterly period ended September 30, 2000, which could have such an effect.