PUBLIC SERVICE ENTERPRISE GROUP INC
Form DEFR14A
June 13, 2005

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

Section 240.14a-101 Schedule 14A.
Information required in proxy statement.

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No. 1)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12 or Section 240.14a-12

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

ý No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials:

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Explanatory Note

This Amendment No. 1 to the Schedule 14A filed June 8, 2005 is being filed for the sole purpose of adding to the form of proxy, the following proposal to be voted on at the Annual Meeting of Shareholders that will be held July 19, 2005:

4. Approval to adjourn or postpone Annual Meeting.

The proposal numbers have been revised accordingly. The form of proxy included with Schedule 14A filed June 8, 2005 was not mailed or distributed. No other changes have been made to the proxy materials filed on June 8, 2005. The revised proxy is as follows:

Joint Proxy Statement and Prospectus

for the

2005 Annual Meetings of Shareholders

Including Action on the Proposed Merger of PSEG and Exelon

MERGER PROPOSAL YOUR VOTE IS IMPORTANT

On behalf of the boards of directors and management of both Exelon Corporation and Public Service Enterprise Group Incorporated, we are pleased to deliver our joint proxy statement/prospectus for the merger involving Exelon and PSEG. We believe this merger will create a strong combined company that will deliver important benefits to our shareholders, to our customers and to the communities we serve.

If the merger is completed, PSEG shareholders will receive 1.225 shares of Exelon common stock for each share of PSEG common stock held. The exchange ratio is fixed and will not be adjusted to reflect stock price changes prior to the completion of the merger. Based on the closing price of Exelon common stock on the New York Stock Exchange on December 15, 2004, the last full trading day prior to a significant increase in trading volume from the average trading volume of Exelon and PSEG common stock and inquiries from *The Wall Street Journal* regarding whether Exelon and PSEG were in advanced merger discussions, the exchange ratio represented approximately $53.14 in value for each share of PSEG common stock. Based on the closing price of Exelon common stock on the New York Stock Exchange on December 16, 2004, the last full trading day prior to the publication of news articles reporting that Exelon and PSEG were in advanced merger discussions, the exchange ratio represented approximately $52.19 in value for each share of PSEG common stock. Based on the closing price of Exelon common stock on the New York Stock Exchange on December 17, 2004, the last full trading day prior to our public announcement of the merger, the exchange ratio represented approximately $51.28 in value for each share of PSEG common stock. Based on the closing price of Exelon common stock on the New York Stock Exchange on May 31, 2005, of $46.85, the exchange ratio represented approximately $57.39 in value for each share of PSEG common stock. **The value of the consideration to be received by PSEG shareholders will fluctuate with changes in the price of Exelon common stock. We urge you to obtain current market quotations for Exelon and PSEG common stock.**

Exelon shareholders will continue to own their existing Exelon shares. We estimate that Exelon may issue up to approximately 313 million shares of Exelon common stock to PSEG shareholders as contemplated by the merger agreement, which includes approximately 7.2 million shares of Exelon common stock issuable pursuant to PSEG stock options and other equity-based awards to be assumed by Exelon and substituted with options to purchase Exelon common stock and other Exelon equity-based awards. Upon completion of the merger, Exelon's shareholders immediately prior to the merger will own approximately 68% of Exelon's outstanding common stock on a fully diluted basis and former PSEG shareholders will own approximately 32% of Exelon's outstanding common stock on a fully diluted basis. Upon completion of the merger, Exelon will change its name from Exelon Corporation to Exelon Electric & Gas Corporation. Exelon common stock will continue to be listed on the New York Stock Exchange.

For a discussion of the United States federal income tax consequences of the merger, see "The Merger Material United States Federal Income Tax Consequences of the Merger" beginning on page 109 of this joint proxy statement/prospectus.

We urge you to read this joint proxy statement/prospectus, which includes important information about the merger and our annual meetings. **In particular, see the section titled "Risk Factors" on pages 21 through 34 of this joint proxy statement/prospectus which contains a description of the risks that you should consider in evaluating the merger.**

Exelon asks that, in addition to the other matters to be considered at the Exelon annual meeting, Exelon shareholders approve the issuance of shares of Exelon common stock as contemplated by the merger agreement. Exelon's annual meeting will be held at the following time and place:

July 22, 2005
9:30 a.m., local time
PECO Energy Headquarters
2301 Market Street
Philadelphia, Pennsylvania

Exelon's board of directors has reviewed and considered the terms of the merger and the merger agreement and has unanimously determined that the merger, including the issuance of shares of Exelon common stock as contemplated by the merger agreement, is advisable, fair to and in the best interests of Exelon and its shareholders and unanimously recommends that Exelon shareholders vote FOR the proposal to approve the issuance of shares of Exelon common stock as contemplated by the merger agreement.

PSEG asks that, in addition to the other matters to be considered at the PSEG annual meeting, PSEG shareholders approve the merger agreement and thereby approve the merger. PSEG's annual meeting will be held at the following time and place:

July 19, 2005
2:00 p.m., local time
The New Jersey Performing Arts Center
One Center Street
Newark, New Jersey

PSEG's board of directors has reviewed and considered the terms of the merger and the merger agreement and has unanimously determined that the merger is advisable, fair to and in the best interests of PSEG and its shareholders and unanimously recommends that PSEG shareholders vote FOR the proposal to approve the merger agreement and thereby approve the merger.

We cannot complete the merger unless the Exelon shareholders approve the issuance of shares of Exelon common stock as contemplated by the merger agreement and the PSEG shareholders approve the merger agreement. **Your vote is important.**

John W. Rowe	E. James Ferland
Chairman of the Board,	*Chairman of the Board,*
President and Chief Executive Officer	*President and Chief Executive Officer*
Exelon Corporation	*Public Service Enterprise Group Incorporated*

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the securities to be issued under this joint proxy statement/prospectus or determined if this joint proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

This joint proxy statement/prospectus is dated May 31, 2005 and is first being mailed to Exelon and PSEG shareholders on or about June 10, 2005.

REFERENCES TO ADDITIONAL INFORMATION

This joint proxy statement/prospectus incorporates important business and financial information about Exelon and PSEG from other documents that are not included in or delivered with this joint proxy statement/prospectus. This information is available to you without charge upon your written or oral request. You can obtain copies of the documents incorporated by reference into this joint proxy statement/prospectus through the Securities and Exchange Commission website at *www.sec.gov* or by requesting them in writing or by telephone from the appropriate company at the following addresses and telephone numbers:

if you are an Exelon shareholder:	*if you are a PSEG shareholder:*
Exelon Corporation Exelon Shareholder Services 10 South Dearborn Street, Chicago, IL 60603 (312) 394-2345	Public Service Enterprise Group Incorporated PSEG Investor Relations 80 Park Plaza, 6th Floor Newark, NJ 07101 (973) 430-6565

If you would like to request documents from PSEG, please do so by July 12, 2005, in order to receive them before the PSEG annual meeting. If you would like to request documents from Exelon, please do so by July 15, 2005, in order to receive them before the Exelon annual meeting.

See "Where You Can Find More Information" beginning on page 243 of this joint proxy statement/prospectus.

VOTING BY TELEPHONE, BY THE INTERNET OR BY MAIL

Exelon shareholders of record may submit their proxies:

- by telephone, by calling the toll-free number (877) 779-8683 in the United States, Canada or Puerto Rico on a touch-tone phone and following the recorded instructions;
- by accessing the Internet website at *www.eproxyvote.com/exc* and following the instructions on the website; or
- by mail, by indicating your voting preference on the proposals on each proxy card you receive, signing and dating each proxy card and returning each proxy card in the prepaid envelope that accompanied that proxy card.

PSEG shareholders of record may submit their proxies:

- by telephone, by calling the toll-free number (866) 242-0618 in the United States, Canada or Puerto Rico on a touch-tone phone and following the recorded instructions;
- by accessing the Internet website at *www.proxyvotenow.com/pseg* and following the instructions on the website; or
- by mail, by indicating your voting preference on the proposals on each proxy card you receive, signing and dating each proxy card and returning each proxy card in the prepaid envelope that accompanied that proxy card.

If you hold your shares through a bank, broker, custodian or other recordholder, please refer to your proxy card or voting instruction form or the information forwarded by your bank, broker, custodian or other recordholder to see which options are available to you.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
OF EXELON CORPORATION

TO THE SHAREHOLDERS OF EXELON CORPORATION:

Exelon will hold the annual meeting of Exelon shareholders on July 22, 2005, at 9:30 a.m., local time, at PECO Energy Headquarters, 2301 Market Street, Philadelphia, Pennsylvania.

The purpose of the annual meeting is to consider and take action on the following:

1. A proposal to approve the issuance of shares of Exelon common stock as contemplated by the Agreement and Plan of Merger, dated as of December 20, 2004, between Exelon Corporation and Public Service Enterprise Group Incorporated. A copy of the merger agreement is attached as *Annex A* to the joint proxy statement/prospectus accompanying this notice. In the merger, each share of PSEG common stock outstanding immediately prior to completion of the merger will be converted into the right to receive 1.225 shares of Exelon common stock.

2. The election of five Class II directors: Edward A. Brennan, Bruce DeMars, Nelson A. Diaz, John W. Rowe and Ronald Rubin, each for a term of three years.

3. A proposal to approve an amendment to Exelon's Amended and Restated Articles of Incorporation to increase the number of authorized shares of Exelon common stock from 1,200,000,000 to 2,000,000,000.

4. A proposal to ratify PricewaterhouseCoopers LLP as Exelon's independent accountants for the year 2005.

5. A proposal to approve the Exelon Corporation 2006 Long-Term Incentive Plan.

6. A proposal to approve the Exelon Corporation Employee Stock Purchase Plan for Unincorporated Subsidiaries.

7. Any proposal of the Exelon board of directors to adjourn or postpone the annual meeting.

8. Any other business that properly comes before the annual meeting and any adjournment or postponement thereof.

Shareholders of record of Exelon common stock at the close of business on May 2, 2005 will be entitled to vote at the annual meeting and any adjournment or postponement of that meeting. As of the record date, there were 669,137,081 shares of Exelon common stock outstanding. Each share of common stock is entitled to one vote on each matter properly brought before the meeting.

You are cordially invited to attend the meeting; however, whether or not you expect to attend in person, you can be sure your shares are represented at the meeting by promptly voting and submitting your proxy by phone, by Internet or by completing, signing, dating and returning the enclosed proxy card in the enclosed prepaid envelope.

If you plan on attending the annual meeting, please bring your admission ticket and a photo ID along with you. The portion of your proxy card marked "Admission Ticket" or voting instruction form will serve as your admission ticket.

Your board of directors unanimously recommends that you vote for the proposal to approve the issuance of shares of Exelon common stock as contemplated by the merger agreement, which is described in detail in the joint proxy statement/prospectus accompanying this notice, and for proposals two through seven in this notice.

By Order of the Board of Directors

Katherine K. Combs
Vice President, Corporate Secretary
and Deputy General Counsel

YOUR VOTE IS IMPORTANT

WE URGE YOU TO VOTE YOUR SHARES AS PROMPTLY AS POSSIBLE BY (1) CALLING THE TOLL-FREE NUMBER (877) 779-8683, (2) ACCESSING THE INTERNET WEBSITE AT *www.eproxyvote.com/exc* OR (3) COMPLETING, SIGNING, DATING AND RETURNING THE ENCLOSED PROXY CARD.

Public Service Enterprise Group Incorporated
80 Park Plaza, P.O. Box 1171
Newark, New Jersey 07101-1171

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS OF PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

TO THE SHAREHOLDERS OF PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED:

PSEG will hold the annual meeting of PSEG shareholders on July 19, 2005, at 2:00 p.m., local time, at The New Jersey Peforming Arts Center, One Center Street, Newark, New Jersey.

The purpose of the annual meeting is to consider and take action on the following:

1. A proposal to approve the Agreement and Plan of Merger, dated as of December 20, 2004, between Exelon Corporation and Public Service Enterprise Group Incorporated. A copy of the merger agreement is attached as *Annex A* to the joint proxy statement/prospectus accompanying this notice. In the merger, each share of PSEG common stock outstanding immediately prior to completion of the merger will be converted into the right to receive 1.225 shares of Exelon common stock.

2. To elect three members of Class III of the PSEG board of directors: Conrad K. Harper, Shirley Ann Jackson and Thomas A. Renyi.

3. To consider and act upon the ratification of the appointment of Deloitte & Touche LLP as PSEG's independent auditor for the year 2005.

4. To consider and act upon any proposal by the PSEG board of directors to adjourn or postpone the PSEG annual meeting.

5. To consider and act upon a shareholder proposal related to executive compensation, if presented at the meeting.

6. Any other business that properly comes before the annual meeting and any adjournment or postponement thereof.

Shareholders of record of PSEG common stock at the close of business on May 27, 2005 will be entitled to vote at the annual meeting and any adjournment or postponement of that meeting. As of the record date, there were 238,731,592 shares of PSEG common stock outstanding. Each share of common stock is entitled to one vote on each matter properly brought before the meeting, except for the proposal relating to the election of directors, on which PSEG shareholders are entitled to cumulative voting.

You are cordially invited to attend the meeting; however, whether or not you expect to attend in person, you can be sure your shares are represented at the meeting by promptly voting and submitting your proxy by phone, by Internet or by completing, signing, dating and returning the enclosed proxy card in the enclosed prepaid envelope.

If you plan on attending the annual meeting, please bring your admission ticket and a photo ID along with you. The portion of your proxy card marked "Admission Ticket" or voting instruction form will serve as your admission ticket.

Your board of directors unanimously recommends that you vote for the proposal to approve the merger agreement and thereby approve the merger, which is described in detail in the joint proxy statement/prospectus accompanying this notice, and for proposals two through four in this notice and against proposal five in this notice.

By Order of the Board of Directors

EDWARD J. BIGGINS, JR.
Secretary

YOUR VOTE IS IMPORTANT

WE URGE YOU TO VOTE YOUR SHARES AS PROMPTLY AS POSSIBLE BY (1) CALLING THE TOLL-FREE NUMBER (866) 242-0618, (2) ACCESSING THE INTERNET WEBSITE AT *www.proxyvotenow.com/pseg* OR (3) COMPLETING, SIGNING, DATING AND RETURNING THE ENCLOSED PROXY CARD.

PLEASE DO NOT SEND YOUR COMMON STOCK CERTIFICATES AT THIS TIME. IF THE MERGER IS COMPLETED, YOU WILL BE SENT INSTRUCTIONS REGARDING THE SURRENDER OF YOUR CERTIFICATES.

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CHAPTER ONE
THE INTRODUCTION

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETINGS

Q:

Why am I receiving this document?

A:

We are delivering this document to you because it is serving as both a joint proxy statement of Exelon and PSEG and a prospectus of Exelon. It is a joint proxy statement because it is being used by our boards of directors to solicit proxies of our shareholders. It is a prospectus because Exelon is offering shares of its common stock in exchange for shares of PSEG common stock if the merger is completed.

Q:

What do I need to do now?

A:

After you carefully read this joint proxy statement/prospectus, please respond by submitting your proxy by telephone or the Internet or by completing, signing, dating and returning your signed proxy card(s) in the enclosed prepaid return envelope, as soon as possible, so that your shares may be represented at your annual meeting. In order to assure that your vote is recorded, please vote your proxy as instructed on your proxy card even if you currently plan to attend your annual meeting in person.

Q:

Why is my vote important?

A:

Exelon shareholders are being asked to approve the issuance of shares of Exelon common stock as contemplated by the merger agreement and to take action on the other proposals in the Exelon notice. PSEG shareholders are being asked to approve the merger agreement and thereby approve the merger and to take action on the other proposals in the PSEG notice. If you do not submit your proxy by telephone or the Internet, or return your signed proxy card(s) by mail or vote in person at your annual meeting, it will be more difficult for Exelon and PSEG to obtain the necessary quorum to hold their respective annual meetings.

Q:

How will my proxy be voted?

A:

If you vote by telephone or by the Internet or by completing, signing, dating and returning your signed proxy card(s), your proxy will be voted in accordance with your instructions.

If you are an Exelon shareholder of record and submit your proxy but do not indicate how you want to vote, your shares will be voted **FOR** the proposal to approve the issuance of shares of Exelon common stock as contemplated by the merger agreement, **FOR** the proposal to elect the directors named in the director proposal, **FOR** the proposal to approve the amendment to Exelon's Amended and Restated Articles of Incorporation to increase the number of authorized shares of Exelon common stock, **FOR** the proposal to ratify PricewaterhouseCoopers LLP as Exelon's independent accountants, **FOR** the proposal to approve the Exelon Corporation 2006 Long-Term Incentive Plan, **FOR** the proposal to approve the Exelon Corporation Employee Stock Purchase Plan for Unincorporated Subsidiaries and **FOR** any proposal by the Exelon board of directors to adjourn or postpone the annual meeting, if necessary.

If you are a PSEG shareholder of record and submit your proxy but do not indicate how you want to vote, your shares will be voted **FOR** the proposal to approve the merger agreement, **FOR** the proposal to elect the directors named in the director proposal, **FOR** the proposal to ratify Deloitte & Touche LLP as PSEG's independent auditor, **FOR** any proposal by the PSEG board of directors to adjourn or postpone the annual meeting, if necessary, and **AGAINST** the shareholder proposal.

Q:
May I vote in person?

A:
Yes. If you are a shareholder of record of Exelon common stock as of May 2, 2005 or of PSEG common stock as of May 27, 2005, you may attend your annual meeting and vote your shares in person, instead of submitting your proxy by telephone or by the Internet or returning your signed proxy card(s).

Q:
If my shares are held in "street name" by my broker, will my broker vote my shares for me?

A:
If you are an Exelon shareholder whose shares are held in "street name" by your broker, you must provide your broker with instructions on how to vote your shares; otherwise, your broker will not vote your shares on the proposal to approve the issuance of shares of Exelon common stock as contemplated by the merger agreement, the proposal to approve the Exelon Corporation 2006 Long-Term Incentive Plan or the proposal to approve the Exelon Corporation Employee Stock Purchase Plan for Unincorporated Subsidiaries.

If you are a PSEG shareholder whose shares are held in "street name" by your broker, you must provide your broker with instructions on how to vote your shares; otherwise, your broker will not vote your shares on the proposal to approve the merger agreement or the shareholder proposal.

You should be sure to provide your broker with instructions on how to vote your shares. Please check the voting form used by your broker to see if it offers telephone or Internet submission of proxies.

Q:
What if I fail to instruct my broker?

A:
If you fail to instruct your broker to vote your shares and the broker submits an unvoted proxy, the resulting broker "non-vote" will, in the circumstances described under "Chapter Two Information About the Annual Meetings and Voting," be counted toward a quorum at your annual meeting but will not be counted in determining the number of votes cast with respect to a proposal.

Q:
Who will count the vote?

A:
For the Exelon proposals, representatives of Equiserve Trust Company, N.A. and Exelon's Office of the Corporate Secretary will count the votes and serve as judges of election.

For the PSEG proposals, representatives of Corporate Election Services, Inc. will count the vote and serve as inspectors of election.

Q:
What does it mean if I receive more than one set of materials?

A:
This means you own shares of both Exelon and PSEG or you own shares of Exelon or PSEG that are registered under different names. For example, you may own some shares directly as a shareholder of record and other shares through a broker or you may own shares through more than one broker. In these situations, you will receive multiple sets of proxy materials. It is necessary for you to vote, sign and return all of the proxy cards or follow the instructions for any alternative voting procedure on each of the proxy cards you receive in order to vote all of the shares you own. Each proxy card you receive will come with its own prepaid return envelope; if you vote by mail, make sure you return each proxy card in the return envelope which accompanied that proxy card.

Q:

Can I revoke my proxy and change my vote?

A:

Yes. You have the right to revoke your proxy at any time prior to the time your shares are voted at your annual meeting. If you are a shareholder of record, your proxy can be revoked in several ways:

- by entering a new vote by telephone or the Internet;
- by delivering a written revocation to your company's secretary that is received prior to your annual meeting;
- by submitting another valid proxy bearing a later date that is received prior to your annual meeting; or
- by attending your annual meeting and voting your shares in person.

However, if your shares are held in "street name" through a bank, broker, custodian or other recordholder, you must check with your bank, broker, custodian or other recordholder to determine how to revoke your proxy.

Q:

When and where are the annual meetings?

A:

The Exelon annual meeting will take place on July 22, 2005, at 9:30 a.m., local time, at PECO Energy Headquarters, 2301 Market Street, Philadelphia, Pennsylvania.

The PSEG annual meeting will take place on July 19, 2005, at 2:00 p.m., local time, at The New Jersey Performing Arts Center, One Center Street, Newark, New Jersey.

Q:

What must I bring to attend the annual meetings?

A:

Admittance to the annual meetings is limited to shareholders of Exelon or PSEG, as the case may be, who are eligible to vote or their authorized representatives. If you wish to attend your meeting, bring the portion of your proxy which is marked as your "Admission Ticket" or your voting instruction form. Also, be sure to bring a photo ID. Seating is limited.

Q:

Should I send in my stock certificates now?

A:

No. After the merger is completed, Exelon will send PSEG shareholders written instructions for exchanging their PSEG stock certificates for Exelon stock certificates. Exelon shareholders will keep their existing stock certificates.

Q:

Are there risks I, as an Exelon shareholder, should consider in deciding to vote on the issuance of shares of Exelon common stock as contemplated by the merger agreement or, as a PSEG shareholder, should consider in deciding to vote on the approval of the merger agreement?

A:

Yes, in evaluating the issuance of shares of Exelon common stock as contemplated by the merger agreement, or the merger agreement and the merger, you should carefully read this joint proxy statement/prospectus, including the factors discussed in the section titled "Risk Factors" beginning on page 21 of this joint proxy statement/prospectus.

Q:

Who can answer any questions I may have about the annual meetings or the merger?

A:

Exelon shareholders may call Georgeson Shareholder Communications Inc. at (800) 561-4182.

PSEG shareholders may call Morrow & Co., Inc. at (800) 607-0088.

SUMMARY

This summary highlights selected information from this joint proxy statement/prospectus related to the merger and may not contain all of the information that is important to you. To understand the merger and for a more complete description of the legal terms of the merger agreement, you should carefully read this entire joint proxy statement/prospectus and the documents to which this joint proxy statement/prospectus refers you. A copy of the merger agreement is attached as Annex A to this joint proxy statement/prospectus and is incorporated by reference into this joint proxy statement/prospectus. See "Where You Can Find More Information" on page 243 of this joint proxy statement/prospectus.

The Companies Involved in the Merger (see page 37)

Exelon Corporation
10 South Dearborn Street 37th Floor
P.O. Box 805379
Chicago, Illinois 60680-5379
(312) 394-7398
Internet address: *www.exeloncorp.com*

Exelon Corporation, a registered public utility holding company under the Public Utility Holding Company Act of 1935, as amended, through its subsidiaries, operates in two business segments Energy Delivery and Generation as of January 1, 2005. Prior to January 1, 2005, Exelon operated in a third business segment, Enterprises. In addition to Exelon's two business segments, Exelon Business Services Company, a subsidiary of Exelon, provides Exelon and its subsidiaries with financial, human resource, legal, information technology, supply management and corporate governance services. Exelon was incorporated in Pennsylvania in February 1999.

Public Service Enterprise Group Incorporated
80 Park Plaza
P.O. Box 1171
Newark, New Jersey 07101-1171
(973) 430-7000
Internet address: *www.pseg.com*

Public Service Enterprise Group Incorporated is an exempt public utility holding company under PUHCA. PSEG has three principal direct wholly-owned subsidiaries engaged in the transmission and distribution of electric energy and gas in New Jersey; wholesale supply; and power production and distribution in selected domestic and international markets. In addition, PSEG Services provides management and administrative services to PSEG and its subsidiaries. PSEG was incorporated under the laws of the State of New Jersey in 1985.

The Merger (see page 118)

Under the terms of the merger, PSEG will merge with and into Exelon with Exelon continuing as the surviving corporation. Upon completion of the merger, Exelon will change its name to Exelon Electric & Gas Corporation.

The merger agreement is attached as *Annex A* to this joint proxy statement/prospectus. We urge you to read the merger agreement carefully and fully to understand the rights and obligations of Exelon and PSEG under the merger agreement, as it is the legal document that governs the merger.

PSEG Shareholders Will Receive 1.225 Shares of Exelon Common Stock for Each Share of PSEG Common Stock (see page 118)

Subject to the terms and conditions of the merger agreement, upon completion of the merger, PSEG shareholders will receive 1.225 shares of Exelon common stock for each share of PSEG common stock they hold. Exelon will not issue fractional shares pursuant to the merger. As a result, the total number of shares of Exelon common stock that each PSEG shareholder would otherwise receive pursuant to the merger will be rounded down to the nearest whole number, and each PSEG shareholder will receive such whole number of shares of Exelon common stock and a cash payment for the remaining fraction of a share of Exelon common stock that such shareholder would otherwise receive, if any, based on the last reported sale price per share of Exelon common stock at the close of business on the closing date of the merger, rounded down to the nearest cent.

Example: If you own 137 shares of PSEG common stock when the merger is completed, you will be entitled to receive 167 shares of Exelon common stock and a check for the market value of 0.83 shares of Exelon common stock at the close of business on the closing date of the merger.

Each Outstanding Option to Purchase PSEG Common Stock and Each PSEG Equity-Based Award Will be Substituted with an Option to Purchase Shares of Exelon Common Stock or an Exelon Equity-Based Award at the Exchange Ratio and All Restrictions on PSEG Equity-Based Awards Will Be Assigned to Exelon (see page 118)

Upon completion of the merger, each outstanding option to purchase shares of PSEG common stock will be assumed by Exelon and substituted with an option to purchase shares of Exelon common stock, exercisable on generally the same terms and conditions that applied before the merger. The number of shares of Exelon common stock subject to the substitute Exelon stock option will equal the number of shares of PSEG common stock subject to the PSEG stock option immediately prior to completion of the merger, multiplied by the exchange ratio, rounded down to the nearest whole share. The per share exercise price of each substitute Exelon stock option will equal the exercise price of the PSEG stock option immediately prior to completion of the merger divided by the exchange ratio, rounded up to the nearest whole cent. In addition, upon completion of the merger, Exelon will assume all PSEG equity-based awards and substitute them with equity-based awards with respect to shares of Exelon common stock on generally the same terms and conditions that applied before completion of the merger. The number of shares of Exelon common stock issuable under those awards, and the exercise prices for those awards, will be adjusted to take into account the exchange ratio.

Upon completion of the merger, all restrictions on PSEG equity-based awards immediately prior to completion of the merger, including all repurchase and forfeiture rights, will be assigned to Exelon, and, subject to any acceleration, lapse or other vesting occurring by operation of the merger, those PSEG equity-based awards will continue to be unvested and subject to the same restrictions which applied immediately prior to completion of the merger.

The Exchange Ratio is Fixed and Will Not Be Adjusted in Response to Changes in Our Stock Prices (see page 118)

The exchange ratio is fixed in the merger agreement and neither Exelon nor PSEG has the right to terminate the merger agreement based solely on changes in either party's stock price. The market value of the Exelon common stock that PSEG shareholders receive in the merger may fluctuate significantly from its current value.

The table below shows the closing prices of Exelon and PSEG common stock, which are listed on the New York Stock Exchange under the trading symbols "EXC" and "PEG," respectively, and the pro forma "*equivalent stock price*" at the close of the regular trading session on:

- December 15, 2004, the last full trading day prior to a significant increase in trading volume from the average trading volume of Exelon and PSEG common stock and inquiries from *The Wall Street Journal* regarding whether Exelon and PSEG were in advanced merger discussions;

- December 16, 2004, the last full trading day prior to the publication of news articles reporting that Exelon and PSEG were in advanced merger discussions;

December 17, 2004, the last full trading day prior to our public announcement of the merger; and

May 31, 2005, the most recent trading day for which that information was available prior to the mailing of this joint proxy statement/prospectus.

The "equivalent stock price" of shares of PSEG common stock represents the closing price per share of Exelon common stock on the New York Stock Exchange as of the applicable date, multiplied by the exchange ratio of 1.225.

	Exelon Common Stock Closing Price	PSEG Common Stock Closing Price	PSEG Equivalent Stock Price
December 15, 2004	$ 43.38	$ 44.58	$ 53.14
December 16, 2004	$ 42.60	$ 45.61	$ 52.19
December 17, 2004	$ 41.86	$ 47.27	$ 51.28
May 31, 2005	$ 46.85	$ 55.50	$ 57.39

The value of the consideration to be received by PSEG shareholders will fluctuate with changes in the price of Exelon common stock. You are urged to obtain current market quotations for shares of both companies.

Exelon and PSEG Expect to Continue Their Respective Stated Dividend Policies Until Completion of the Merger; Exelon has Agreed, Subject to Specified Limitations, to Increase its Dividend Following Completion of the Merger to Equal PSEG's Dividend on an Exchange Ratio Adjusted Basis

The merger agreement permits each of us to continue to pay regular dividends to our respective shareholders in accordance with our previously announced dividend policies. Exelon has previously indicated it expects to maintain a dividend payout policy of 50% to 60% of earnings. On April 27, 2005, Exelon declared a second quarter dividend for 2005 of $0.40 per share. On January 18, 2005, PSEG increased its first quarter dividend for 2005 to $0.56 per share from $0.55 per share, for an indicated annual dividend increase of $0.04 per share for the year 2005. On April 19, 2005, PSEG declared a second quarter dividend for 2005 of $0.56 per share. For the year 2006, PSEG will continue to evaluate its dividend payment and consider modest increases.

We have agreed to coordinate dividend declarations and the related record dates and payment dates so that our shareholders will not receive two dividends, or fail to receive one dividend, for any single calendar quarter. Accordingly, prior to completion of the merger, we may coordinate and amend our record dates and payment dates in order to effect this policy.

In addition, the merger agreement provides that, subject to applicable law and the fiduciary duties of its board of directors, Exelon will increase its first quarterly dividend paid after completion of the merger to an amount equal, on an exchange ratio adjusted basis, to the dividend PSEG shareholders received in the quarter immediately prior to completion of the merger, up to a maximum of $0.47 per share of Exelon common stock. The lesser of $0.47 and the amount required to equal PSEG's dividend on an exchange ratio adjusted basis is referred to in this joint proxy statement/prospectus as the "threshold amount." If the first quarterly dividend to be paid by Exelon after completion of the merger will be less than the threshold amount, PSEG may make a one time special cash dividend to its shareholders equal to the amount of the difference between the dividend Exelon has informed PSEG it will pay and the threshold amount, on an exchange ratio adjusted basis.

PSEG Shareholders Generally Will Not Recognize Any Gain or Loss for United States Federal Income Tax Purposes Upon the Exchange of Their Shares of PSEG Common Stock for Shares of Exelon Common Stock in the Merger, Except that Gain or Loss Will Be Recognized on the Receipt of Cash in Lieu of a Fractional Share of Exelon Common Stock **(see page 109)**

A holder of shares of PSEG common stock generally will not recognize any gain or loss upon the exchange of the holder's shares of PSEG common stock for shares of Exelon common stock pursuant to the merger, except that gain or loss will be recognized on the receipt of cash in lieu of a fractional share of Exelon common stock. You should read carefully the discussion under the heading "The Merger Material United States Federal Income Tax Consequences of the Merger" beginning on page 109 of this joint proxy statement/prospectus.

Holders of shares of PSEG common stock are urged to consult their tax advisors as to the specific tax consequences to them of the merger, including the applicability and effect of United States federal, state, local and foreign income and other tax laws in light of their particular circumstances.

Exelon's Financial Advisors Delivered their Opinions to the Exelon Board of Directors to the Effect that, as of December 20, 2004, the Exchange Ratio in the Merger Was Fair, from a Financial Point of View, to Exelon **(see page 66)**

Each of Exelon's financial advisors, J.P. Morgan Securities Inc. and Lehman Brothers Inc., has delivered its opinion dated as of December 20, 2004 to the Exelon board of directors that, as of that date, based upon and subject to the assumptions, qualifications and limitations set forth in their respective opinions, the exchange ratio in the merger was fair, from a financial point of view, to Exelon. The full text of the opinions of JPMorgan and Lehman Brothers are attached as *Annex B* and *Annex C*, respectively, to this joint proxy statement/prospectus. Exelon urges its shareholders to read the opinions in their entirety. Each of JPMorgan and Lehman Brothers has provided its opinion for the information and assistance of the Exelon board of directors in connection with its consideration of the merger agreement, the issuance of shares of Exelon common stock as contemplated by the merger agreement and the merger, and the opinions do not constitute a recommendation as to how any holder of Exelon common stock should vote with respect to the issuance of shares of Exelon common stock as contemplated by the merger agreement.

The opinion of each of JPMorgan and Lehman Brothers will not reflect any developments that may occur or may have occurred after the date of the opinions and prior to completion of the merger.

Pursuant to an engagement letter dated October 26, 2004, Exelon has agreed to pay JPMorgan a fee of $15 million in consideration for its services as financial advisor, $5 million of which was paid following the public announcement of the execution of the merger agreement, $5 million of which is payable upon approval of the issuance of shares of Exelon common stock as contemplated by the merger agreement by Exelon shareholders and $5 million of which is payable upon completion of the merger. Pursuant to an engagement letter dated November 5, 2004, Exelon has agreed to pay Lehman Brothers a fee of $15 million in consideration for its services as financial advisor, $5 million of which was paid following the public announcement of the execution of the merger agreement, $5 million of which is payable upon approval of the issuance of shares of Exelon common stock as contemplated by the merger agreement by Exelon shareholders and $5 million of which is payable upon completion of the merger.

PSEG's Financial Advisor Delivered its Opinion to the PSEG Board of Directors to the Effect that, as of December 20, 2004, the Exchange Ratio Under the Merger Agreement Was Fair, from a Financial Point of View, to the Holders of PSEG Common Stock **(see page 82)**

PSEG's financial advisor, Morgan Stanley & Co. Incorporated, has delivered its opinion dated as of December 20, 2004 to the PSEG board of directors that, as of that date, based upon and subject to the assumptions, qualifications and limitations discussed in its opinion, the exchange ratio under the merger agreement was fair, from a financial point of view, to the holders of PSEG common stock. The full text of Morgan Stanley's opinion is attached as *Annex D* to this joint proxy statement/prospectus. PSEG urges its shareholders to read that opinion in its entirety. Morgan Stanley provided its opinion for the information and assistance of the PSEG board of directors in connection with its consideration of the merger agreement and the merger, and the opinion does not constitute a recommendation as to how any holder of PSEG common stock should vote with respect to the merger agreement.

The opinion of Morgan Stanley will not reflect any developments that may occur or may have occurred after the date of its opinion and prior to completion of the merger.

Pursuant to an engagement letter dated November 8, 2004, PSEG has agreed to pay Morgan Stanley a fee of $20 million in consideration for its services as financial advisor, $5 million of which was paid following the public announcement of the execution of the merger agreement, $5 million of which is payable upon PSEG shareholder approval of the merger agreement and $10 million of which is payable upon completion of the merger.

Both Exelon and PSEG Shareholder Approvals Will Be Required to Complete the Merger (see pages 40 and 45)

For Exelon Shareholders:

Approval of the proposal to issue shares of Exelon common stock as contemplated by the merger agreement requires the affirmative vote of at least a majority of the votes cast by holders of shares of Exelon common stock present in person or by proxy and entitled to vote on the issuance of shares of Exelon common stock as contemplated by the merger agreement as long as a quorum, which is the presence of holders of shares of Exelon common stock outstanding and entitled to cast at least a majority of the votes that all shareholders are entitled to cast on the matter, is present in person or by proxy and the total votes cast on the proposal represents at least a majority of the shares of Exelon common stock entitled to vote. Approval of the proposal to issue shares of Exelon common stock as contemplated by the merger agreement is a condition to completion of the merger.

Because the holders of Exelon common stock immediately prior to completion of the merger will own a majority of the shares of Exelon common stock outstanding immediately following completion of the merger, a separate vote by the holders of Exelon common stock on the merger agreement or the merger itself is not required under Pennsylvania law.

On May 2, 2005, which is the record date for determining those Exelon shareholders who are entitled to vote at the Exelon annual meeting, directors and executive officers of Exelon and their affiliates beneficially owned and had the right to vote 4,955,493 shares of Exelon common stock, representing less than 1% of the shares of Exelon common stock outstanding on the record date. To Exelon's knowledge, directors and executive officers of Exelon and their affiliates intend to vote their shares of common stock in favor of the proposal to issue shares of Exelon common stock as contemplated by the merger agreement, although none of them has entered into any agreement requiring them to do so.

For PSEG Shareholders:

Approval of the merger agreement requires the affirmative vote of at least a majority of the votes cast by holders of shares of PSEG common stock present in person or by proxy and entitled to vote on the approval of the merger agreement as long as a quorum, which is a majority of the shares of PSEG common stock outstanding, is present in person or by proxy.

On May 27, 2005, which is the record date for determining those PSEG shareholders who are entitled to vote at the PSEG annual meeting, directors and executive officers of PSEG and their affiliates beneficially owned and had the right to vote 4,951,871 shares of PSEG common stock, representing approximately 1.8% of the outstanding shares of PSEG common stock outstanding on the record date. To PSEG's knowledge, directors and executive officers of PSEG and their affiliates intend to vote their shares of common stock in favor of the approval of the merger agreement, although none of them has entered into any agreement requiring them to do so.

Recommendations of Exelon and PSEG to Shareholders (see pages 57 and 62)

To Exelon Shareholders:

The Exelon board of directors has reviewed and considered the terms of the merger and the merger agreement and has unanimously determined that the merger, including the issuance of shares of Exelon common stock as contemplated by the merger agreement, is advisable, fair to and in the best interests of Exelon and its shareholders and unanimously recommends that Exelon shareholders vote **FOR** the proposal to approve the issuance of shares of Exelon common stock as contemplated by the merger agreement.

To PSEG Shareholders:

The PSEG board of directors has reviewed and considered the terms of the merger and the merger agreement and has unanimously determined that the merger is advisable, fair to and in the best interests of PSEG and its shareholders and unanimously recommends that PSEG shareholders vote **FOR** the proposal to approve the merger agreement and thereby approve the merger.

Completion of the Merger is Subject to Regulatory Clearance (see page 111)

To complete the merger, we must receive approval from and/or make filings with various federal and state regulatory authorities. At the federal level, these approvals include the approval of the Securities and Exchange Commission under PUHCA, the Federal Energy Regulatory Commission under the Federal Power Act and the Nuclear Regulatory Commission under the Atomic Energy Act. In addition, under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, the merger cannot be completed until we have made required notifications and given certain information and materials to the Antitrust Division of the United States Department of Justice and until specified waiting period requirements have expired. At the state level, among other required approvals, the New Jersey Board of Public Utilities and the Pennsylvania Public Utility Commission must review and approve the merger and the New York Public Service Commission must approve the indirect transfer of the ownership interest of a subsidiary of PSEG Power that has generation assets located in the State of New York. The Illinois Commerce Commission has been notified of the merger and it has informed Exelon and PSEG that it does not have jurisdiction over the merger and thus its approval is not required. See "The Merger Regulatory Matters Relating to the Merger" beginning on page 111 of this joint proxy statement/prospectus for a discussion of the status of the regulatory approval process.

Exelon's Amended and Restated By-Laws Will Be Amended and Restated Following Completion of the Merger to, Among Other Things, Provide for Certain Governance Arrangements During a Transition Period Beginning Upon Completion of the Merger and Ending Three Years Following Completion of the Merger (see page 129)

Exelon has agreed to amend and restate its Amended and Restated By-laws to, among other things, provide for certain arrangements relating to its board of directors and management during a transition period beginning upon completion of the merger and ending three years following completion of the merger, including the following:

- upon completion of the merger, the Exelon board of directors will consist of 18 members, 12 of whom will be continuing Exelon directors and six of whom will be former PSEG directors;

- Mr. E. James Ferland, the current Chairman, President and Chief Executive Officer of PSEG, will serve as non-executive Chairman of the Exelon board of directors until the earlier of (1) March 31, 2007, his announced date of retirement, and (2) the date on which Mr. Ferland no longer serves as a director of Exelon, at which time the Chief Executive Officer of Exelon will be appointed as Chairman of the Exelon board of directors and continue in such role for the duration of the transition period and thereafter as determined by the Exelon board of directors; and

for at least the transition period, Mr. John W. Rowe, the current Chairman, President and Chief Executive Officer of Exelon, will continue to serve as the President and Chief Executive Officer of Exelon in charge of general supervision over the business and operations of Exelon.

A copy of the form of Amended and Restated By-laws of Exelon is attached as *Annex F* to this joint proxy statement/prospectus and is incorporated by reference into this joint proxy statement/prospectus.

PSEG Executive Officers and Directors Have Interests in the Merger that May Be Different from, or in Addition to, the Interests of the PSEG shareholders (see page 99)

When PSEG shareholders consider their board of directors' recommendation that they vote in favor of the approval of the merger agreement, PSEG shareholders should be aware that PSEG executive officers and directors may have interests in the merger that are different from, or in addition to, PSEG shareholders' interests. Those interests include, among other things, the accelerated vesting of PSEG equity-based awards, increased severance benefits under specified circumstances and the appointment of six of the PSEG directors to the Exelon board of directors.

As a result, the directors and officers of PSEG may be more likely to recommend the approval of the merger agreement than if they did not have these interests.

Completion of the Merger is Subject to the Satisfaction of a Number of Conditions (see page 133)

Completion of the merger depends upon the satisfaction of a number of conditions, including the following:

approval of the merger agreement by the PSEG shareholders and approval by the Exelon shareholders of the issuance of shares of Exelon common stock as contemplated by the merger agreement;

authorization for listing by the New York Stock Exchange of the shares of Exelon common stock issuable pursuant to the merger agreement, subject to official notice of issuance;

expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended;

receipt of *"final orders"* for the *"required statutory approvals"* and the absence from such orders of any *"burdensome order,"* which term includes, among other things, any order requiring either party to divest any nuclear assets (see "The Merger Agreement Covenants" beginning on page 120 of this joint proxy statement/prospectus for a discussion of these terms);

receipt of all other required government and regulatory consents, registrations, approvals and permits and authorizations, except for those the failure of which to obtain would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on PSEG or on Exelon (assuming the merger had taken place);

receipt of all required consents or approvals from third parties, except for those the failure of which to obtain would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on PSEG or on Exelon (assuming the merger had taken place);

absence of any law, judgment, injunction or other order by a governmental authority prohibiting completion of the merger;

compliance in all material respects by the parties with their respective obligations under the merger agreement;

absence of material breaches of the representations and warranties in the merger agreement;

receipt of opinions of counsel to Exelon and PSEG to the effect that the merger constitutes a "reorganization" within the meaning of Section 368(a) of the Internal Revenue Code; and

absence of a material adverse effect having occurred to the other party since the date of the merger agreement.

Other than the conditions to obtain the regulatory approvals required by law and the shareholder approvals, each of Exelon and PSEG may waive any conditions relating to its obligations to complete the merger. However, the parties do not intend to waive the condition relating to the receipt of tax opinions referred to above. If it were determined that the merger would not qualify as a tax-free reorganization and Exelon and PSEG were to waive the condition relating to the receipt of the tax opinions described above, Exelon and PSEG would re-solicit their shareholders' vote on the issuance of the shares of Exelon common stock as contemplated by the merger agreement and approval of the merger agreement, respectively.

How the Merger Agreement May Be Terminated by Exelon and PSEG (see page 134)

Exelon and PSEG may mutually agree to terminate the merger agreement and abandon the merger at any time prior to completion of the merger, whether before or after the PSEG shareholders have approved the merger agreement and the Exelon shareholders have approved the issuance of shares of Exelon common stock as contemplated by the merger agreement.

In addition, either party could decide, without the consent of the other, to terminate the merger agreement in a number of situations, including:

if the merger is not completed by June 20, 2006 (which date may be extended by six months by either party if all conditions to closing have been satisfied other than the receipt of approval by the FERC under Section 203 of the Federal Power Act, by the SEC under PUHCA or by any of the New Jersey, New York or Pennsylvania public utility commissions if Exelon and PSEG are reasonably satisfied such state commission is waiting for such FERC or SEC approval to be obtained prior to ruling and such ruling is required for completion of the merger);

if the required approval of the Exelon or PSEG shareholders is not obtained at the respective shareholder meetings;

if a nonappealable order has been entered prohibiting the merger or, in connection with the required statutory approvals, an order has been entered that is a burdensome order that is a nonappealable final order;

if the board of directors of the other party withdraws, qualifies or modifies its declaration, approval or recommendation in a manner adverse to the other party; or

if the other party breaches its representations, warranties or covenants in the merger agreement, which breach results in a failure of one of the conditions to completion of the merger being satisfied and is not curable or cured.

The merger agreement may be terminated by PSEG prior to completion of the merger if, prior to the PSEG annual meeting:

the PSEG board of directors authorizes PSEG, subject to complying with the terms of the merger agreement, to enter into a definitive agreement with a third party concerning a transaction that constitutes a *"superior proposal"* (see "The Merger Agreement Covenants No Solicitation" beginning on page 120 of this joint proxy statement/prospectus for a discussion of this term) and PSEG notifies Exelon in writing that it intends to enter into the agreement;

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Exelon does not make, within five business days of receipt of PSEG's written notification of its intention to enter into a definitive agreement for a superior proposal, an offer that the PSEG board of directors determines, in its reasonable good faith judgment after consultation with its financial advisors, is at least as favorable, from a financial point of view, to the shareholders of PSEG; and

prior to or concurrently with the termination of the merger agreement, PSEG pays to Exelon a termination fee of $400 million and Exelon's out-of-pocket expenses up to a maximum of $40 million.

The merger agreement may also be terminated by PSEG prior to the PSEG annual meeting if Exelon enters into a definitive agreement with respect to a *"parent acquisition transaction"* (see "The Merger Agreement Termination of Merger Agreement" beginning on page 134 of this joint proxy statement/prospectus for a discussion of this term) or consummates such a transaction and PSEG notifies Exelon in writing that it is terminating the merger agreement within 10 business days of the earlier to occur of such parent acquisition transaction and the public announcement of the entry into such definitive agreement. If the merger agreement is terminated under this provision, Exelon will be required to pay PSEG a termination fee of $400 million and up to $40 million of PSEG's out-of-pocket expenses.

The merger agreement may be terminated by Exelon prior to completion of the merger if:

PSEG's board of directors or a committee thereof recommends to PSEG shareholders a takeover proposal other than the merger;

a tender offer or exchange offer for 20% or more of the outstanding shares of PSEG capital stock is commenced and PSEG's board of directors fails to recommend against acceptance of such offer within 10 business days after such commencement;

PSEG breaches in any material respect its obligations under the no-solicitation provisions of the merger agreement; or

prior to Exelon's annual meeting, Exelon enters into a definitive agreement with respect to a parent acquisition transaction or consummates such a transaction and notifies PSEG in writing that it is terminating the merger agreement within 10 business days from the earlier to occur of such parent acquisition transaction and the public announcement of the entry into such definitive agreement.

Termination Fees and Expenses May Be Payable Under Some Circumstances (see page 136)

Generally, if the merger agreement is terminated by Exelon in specified circumstances where the PSEG board of directors has withdrawn, qualified or modified its declaration with respect to or its approval or recommendation of the merger agreement and the merger with Exelon in a manner adverse to Exelon, by either party in specified circumstances involving the acquisition of PSEG by another person, or by Exelon upon a material breach by PSEG of the no-solicitation provisions of the merger agreement, PSEG will be required to pay Exelon a termination fee of $400 million and up to $40 million of Exelon's out-of-pocket expenses.

Generally, if the merger agreement is terminated by PSEG where the Exelon board of directors has withdrawn, qualified or modified its declaration with respect to or its approval or recommendation of the merger agreement, the issuance of shares of Exelon common stock as contemplated by the merger agreement and the merger in a manner adverse to PSEG, Exelon will be required to pay up to $40 million of PSEG's out-of-pocket expenses. If the merger agreement is terminated by PSEG or Exelon where Exelon enters into a definitive agreement with respect to a parent acquisition transaction or consummates such a transaction, Exelon will be required to pay PSEG a termination fee of $400 million and up to $40 million of PSEG's out-of-pocket expenses.

Neither Exelon nor PSEG Shareholders Will Have Appraisal Rights in Connection with the Merger (see page 116)

Neither Exelon nor PSEG shareholders are entitled to dissenters' appraisal rights in connection with the merger.

Exelon Common Stock Will Be Listed on the New York Stock Exchange (see page 117)

The shares of Exelon common stock to be issued pursuant to the merger will be listed on the New York Stock Exchange. In addition, Exelon currently intends to list the shares of Exelon common stock issued in the merger on the Chicago Stock Exchange and the Philadelphia Stock Exchange.

The Merger Will Be Accounted for Using the Purchase Method of Accounting (see page 109)

Exelon will account for the merger under the purchase method of accounting for business combinations under accounting principles generally accepted in the United States. Under the purchase method of accounting, the assets and liabilities of PSEG will be recorded, as of completion of the merger, at their respective fair values and added to those of Exelon.

PSEG Shareholders Will Hold Approximately 32% of the Outstanding Shares of Exelon Common Stock Following Completion of the Merger (see page 145)

Upon completion of the merger, Exelon will issue up to approximately 313 million shares of Exelon common stock to PSEG shareholders as contemplated by the merger agreement. In addition, approximately 7.2 million shares of Exelon common stock will be issuable pursuant to PSEG stock options and PSEG equity-based awards to be assumed by Exelon, approximately 1.4 million of which will vest before or upon completion of the merger. Immediately following completion of the merger, it is expected that there will be approximately 991 million shares of Exelon common stock issued and outstanding on a fully diluted basis. The shares of Exelon common stock to be issued to PSEG shareholders will represent approximately 32% of the outstanding Exelon common stock after the merger on a fully diluted basis. This information is based on the number of Exelon and PSEG shares and PSEG equity-based awards and securities convertible into shares of PSEG common stock (PSEG's Participating Units) outstanding on April 30, 2005.

Due to Variances Between the State Business Corporation Law of Pennsylvania and New Jersey and Between the Charters and Other Corporate Documents of Exelon and PSEG, Differences Exist Between the Rights of Exelon Shareholders and PSEG Shareholders (see page 158)

The rights of Exelon and PSEG shareholders under the business corporation law of Pennsylvania and New Jersey, respectively, are different. There are additional differences in the rights of Exelon shareholders and PSEG shareholders as a result of the provisions of the charters, by-laws and other corporate documents of each company. See "Comparison of Exelon/PSEG Shareholder Rights" beginning on page 158 of this joint proxy statement/prospectus.

The Merger and the Performance of the Combined Company are Subject to a Number of Risks (see page 21)

There are a number of risks relating to the merger and to the businesses of Exelon, PSEG and the combined company following the merger. See "Risk Factors" beginning on page 21 of this joint proxy statement/prospectus for a discussion of these and other risks and see also the documents that we have filed with the SEC and which we have incorporated by reference into this joint proxy statement/prospectus.

Selected Historical Financial Information

The following selected historical financial information is being provided to assist you in your analysis of the financial aspects of the merger. The Exelon annual historical information is derived from the audited consolidated financial statements of Exelon as of and for each of the years in the five-year period ended December 31, 2004. The PSEG annual historical information is derived from the audited consolidated financial statements of PSEG as of and for each of the years in the five-year period ended December 31, 2004. The information as of and for the three months ended March 31, 2005 and 2004 has been derived from unaudited interim financial statements of Exelon and PSEG, respectively, and, in the opinion of such company's management, include all normal and recurring adjustments that are considered necessary for the fair presentation of the results for the interim period of such company. The information is only a summary and should be read in conjunction with each company's historical consolidated financial statements and related notes contained in the Exelon and PSEG annual reports on Form 10-K for the year ended December 31, 2004 and the quarterly reports on Form 10-Q for the period ended March 31, 2005 and the report on Form 8-K filed by Exelon on May 13, 2005, in which Items 6, 7 and 8 of Exelon's annual report on Form 10-K for the year ended December 31, 2004 were recast, which have been incorporated by reference into this joint proxy statement/prospectus, as well as other information that has been filed with the SEC. See "Where You Can Find More Information" beginning on page 243 of this joint proxy statement/prospectus for information on where you can obtain copies of this information. The historical results included below and elsewhere in this joint proxy statement/prospectus are not necessarily indicative of the future performance of Exelon, PSEG or the combined company.

Exelon Selected Historical Financial Information

	As of and for the						
	Three Months Ended March 31,		Year Ended December 31,				
	2005	2004	2004	2003(2)	2002	2001	2000(1)
	(unaudited)		(in millions, except per share data)				
Statement of Operations Information:							
Operating revenues	$ 3,561	$ 3,635	$ 14,133	$ 15,148	$ 14,060	$ 13,978	$ 7,060
Operating income	931	771	3,499	2,409	3,280	3,406	1,562
Income from continuing operations	507	397	1,870	892	1,690	1,448	606
Income (loss) from discontinued operations	14	(17)	(29)	(99)	(20)	(32)	(44)
Income before cumulative effect of changes in accounting principles	521	380	1,841	793	1,670	1,416	562
Cumulative effect of changes in accounting principles (net of income taxes)		32	23	112	(230)	12	24
Net income	521	412	1,864	905	1,440	1,428	586
Income from continuing operations per share of common stock:(4)							
Basic	$ 0.76	$ 0.60	$ 2.83	$ 1.37	$ 2.62	$ 2.26	$ 1.50
Diluted	0.75	0.59	2.79	1.36	2.60	2.24	1.49
Discontinued operations:(4)							
Basic	$ 0.02	$ (0.02)	$ (0.04)	$ (0.15)	$ (0.03)	$ (0.05)	$ (0.11)
Diluted	0.02	(0.02)	(0.04)	(0.15)	(0.03)	(0.05)	(0.11)
Income before cumulative effect of changes in accounting principles per share of common stock:(4)							
Basic	$ 0.78	$ 0.58	$ 2.79	$ 1.22	$ 2.59	$ 2.21	$ 1.40
Diluted	0.77	0.57	2.75	1.21	2.57	2.19	1.38
Net income per share of common stock:(4)							
Basic	$ 0.78	$ 0.63	$ 2.82	$ 1.39	$ 2.23	$ 2.23	$ 1.46
Diluted	0.77	0.62	2.78	1.38	2.22	2.21	1.44
Dividends per common share	0.40	0.275	1.26	0.96	0.88	0.91	0.46
Balance Sheet Information:							
Total assets	$ 42,408		$ 42,770	$ 41,936	$ 37,869	$ 34,969	$ 36,674
Long-term debt	10,997		12,148	13,489	13,127	12,879	12,958
Preferred securities of subsidiaries(3)	87		87	87	595	613	630
Shareholders' equity	9,713		9,423	8,503	7,742	8,102	7,215

(1)

Reflects the effects of the merger of Exelon, Unicom Corporation and PECO on October 20, 2000 (the "Unicom Merger"). The Unicom Merger was accounted for using the purchase method of accounting with PECO as the acquiring company. Accordingly, financial results for 2000 consist of PECO's results for 2000 and Unicom results after October 20, 2000.

(2)

2003 results include a pre-tax charge of $945 million ($573 million after-tax) related to the impairment of Exelon's investment in Boston Generating, LLC and a pre-tax charge of $255 million ($166 million after-tax) related to the impairment of Exelon's investment in Sithe Energies, Inc.

(3)

Upon adoption of Financial Accounting Standards Board Interpretation ("FIN") No. 46 (revised December 2003), "Consolidation of Variable Interest Entities" ("FIN No. 46-R") in 2003, the mandatory redeemable preferred securities of ComEd and PECO were reclassified as long-term debt to financing trusts as of December 31, 2003.

(4)

Per share information for 2000 through 2004 has been adjusted to reflect the 2-for-1 stock split that was distributed to Exelon shareholders on May 5, 2004.

PSEG Selected Historical Financial Information

	As of and for the						
	Three Months Ended March 31,		Year Ended December 31,				
	2005	2004	2004	2003	2002(1)	2001	2000
	(unaudited)		(in millions, except per share data)				
Statement of Operations Information:							
Operating revenues	$ 3,310	$ 3,225	$ 10,996	$ 11,139	$ 8,220	$ 6,883	$ 6,521
Income from continuing operations	285	271	721	852	405(1)	766	782
Net income	285	271	726	1,160	235(1)	764	770
Income from continuing operations per share of common stock:							
Basic	$ 1.20	$ 1.15	$ 3.04	$ 3.73	$ 1.94(1)	$ 3.68	$ 3.64
Diluted	1.18	1.14	3.03	3.72	1.94(1)	3.68	3.64
Net income per share of common stock:							
Basic	$ 1.20	$ 1.15	$ 3.06	$ 5.08	$ 1.13(1)	$ 3.67	$ 3.58
Diluted	1.18	1.14	3.05	5.07	1.13(1)	3.67	3.58
Dividends per common share	0.56	0.55	2.20	2.16	2.16	2.16	2.16
Balance Sheet Information:							
Total assets	$ 28,885		$ 29,237	$ 28,131	$ 26,147	$ 25,568	$ 21,531
Long-term debt obligations(2)(3)	12,775		12,975	12,995	12,291	10,814	5,869
Preferred stock with mandatory redemption							75
Shareholders' equity	5,736		5,739	5,529	3,885	4,068	3,946

(1) 2002 results include after-tax charges of $368 million, or $1.76 per share, related to losses from PSEG Energy Holdings L.L.C.'s Argentine investments.

(2) Includes capital lease obligations. The increase between 2000 and 2001 is related to the $2.5 billion securitization transaction in 2001.

(3) Amounts include debt obligations between PSEG and PSE&G and their respective capital trusts due to the implementation of FIN No. 46-R which required the deconsolidation of such trusts. This implementation resulted in the removal of the preferred securities issued by the trusts from the PSEG consolidated financial statements and the addition of long-term debt between PSEG and PSE&G and their respective trusts equal to the amount of preferred securities issued by the trusts and the common equity investment contributed to the trusts.

Selected Unaudited Pro Forma Condensed Combined Consolidated Financial Information

The merger will be accounted for under the purchase method of accounting, which means the assets and liabilities of PSEG will be recorded, as of completion of the merger, at their respective fair values and added to those of Exelon. For a more detailed description of purchase accounting, see "The Merger   Accounting Treatment" beginning on page 109 of this joint proxy statement/prospectus.

We have presented below selected unaudited pro forma condensed combined consolidated financial information that reflects the purchase method of accounting and gives effect to the merger, in the case of the statement of operations information, as though the merger had occurred as of January 1, 2004 and, in the case of the balance sheet information, as though the merger had occurred as of March 31, 2005.

The unaudited pro forma condensed combined consolidated financial information has been prepared giving effect to the issuance of 1.225 shares of Exelon common stock in exchange for each outstanding share of PSEG common stock.

The unaudited pro forma condensed combined consolidated financial information may have been different had the companies actually been combined as of January 1, 2004 or March 31, 2005. The selected unaudited pro forma condensed combined consolidated financial information does not reflect the effect of asset dispositions, if any, or synergies that may result from the merger. You should not rely on the selected unaudited pro forma condensed combined consolidated financial information as being indicative of the historical results that would have occurred had the companies been combined or the future results that may be achieved after completion of the merger. The following selected unaudited pro forma condensed combined consolidated financial information has been derived from, and should be read in conjunction with, the Exelon and PSEG Unaudited Pro Forma Condensed Combined Consolidated Financial Statements and related notes beginning on page 145 of this joint proxy statement/prospectus.

Unaudited Pro Forma Condensed Combined Consolidated	As of and for the	
	Three Months Ended March 31, 2005	Year Ended December 31, 2004
	(in millions, except per share data)	
Statement of Operations Information:		
Operating revenues	$ 6,984	$ 25,544
Operating income	1,641	6,101
Income from continuing operations	820	2,867
Earnings per share from continuing operations:		
Basic	$ 0.86	$ 3.01
Diluted	0.84	2.98
Weighted average number of shares and share equivalents:		
Basic	958	952
Diluted	973	963
Balance Sheet Information (as of March 31, 2005):		
Cash and cash equivalents	$ 683	
Total assets	79,716	
Long-term debt	24,407	
Total liabilities	57,003	
Shareholders' equity	22,545	
Shareholders' equity per share	23.53	

Comparative Historical and Unaudited Pro Forma Per Share Information

The following table sets forth selected pro forma and historical per share information of Exelon and PSEG, respectively, and unaudited pro forma condensed combined consolidated per share information reflecting the merger between Exelon and PSEG, under the purchase method of accounting, and the issuance of 1.225 shares of Exelon common stock in exchange for each outstanding share of PSEG common stock. You should read this information in conjunction with the selected historical financial information, included elsewhere in this joint proxy statement/prospectus, the historical financial statements of Exelon and PSEG and related notes contained in the Exelon and PSEG annual reports on Form 10-K for the year ended December 31, 2004, the Exelon and PSEG quarterly reports on Form 10-Q for the period ended March 31, 2005 and the report on Form 8-K filed by Exelon on May 13, 2005, in which Items 6, 7 and 8 of Exelon's annual report on Form 10-K for the year ended December 31, 2004 were recast, which have been incorporated by reference into this joint proxy statement/prospectus and the Exelon Unaudited Pro Forma Condensed Consolidated Financial Statements beginning on page 145 of this joint proxy statement/prospectus. The unaudited pro forma condensed combined consolidated per share information is derived from, and should be read in conjunction with, the Exelon and PSEG Unaudited Pro Forma Condensed Combined Consolidated Financial Statements and related notes beginning on page 145 of this joint proxy statement/prospectus. The historical per share information is derived from the audited financial statements of Exelon, as adjusted for discontinued operations, and the audited financial statements of PSEG as of and for the year ended December 31, 2004 and the unaudited financial statements of Exelon and PSEG for the three months ended March 31, 2005. The unaudited pro forma PSEG per share equivalents are calculated by multiplying the unaudited Exelon pro forma combined per share amounts by the exchange ratio of 1.225.

The unaudited pro forma condensed combined consolidated per share information does not purport to represent what the actual results of operations of Exelon and PSEG would have been had the companies been combined during the periods presented or to project Exelon's and PSEG's results of operations that may be achieved after completion of the merger.

	As of and for the			
	Three Months Ended March 31, 2005		Year Ended December 31, 2004	
Unaudited Pro Forma Combined				
Income from continuing operations per share:				
Basic	$	0.86	$	3.01
Diluted		0.84		2.98
Shareholders' equity per share		23.53		
Exelon Historical (as adjusted for discontinued operations)				
Income from continuing operations per share:				
Basic	$	0.76	$	2.83
Diluted		0.75		2.79
Dividends declared per common share		0.40		1.26
Shareholders' equity per share		14.58		14.29
PSEG Historical				
Income from continuing operations per share:				
Basic	$	1.20	$	3.04
Diluted		1.18		3.03
Dividends declared per common share		0.56		2.20
Shareholders' equity per share		24.07		24.22
Unaudited Pro Forma PSEG Equivalents Combined				
Income from continuing operations per share:				
Basic	$	1.47	$	3.72
Diluted		1.45		3.71
Shareholders' equity per share		29.48		

Comparative Per Share Market Price and Dividend Information

Exelon common stock and PSEG common stock are each listed on the New York Stock Exchange. Exelon's and PSEG's trading symbols are "EXC" and "PEG," respectively. The following table shows, for the calendar quarters indicated, based on published financial sources: (1) the high and low sale prices of shares of Exelon and PSEG common stock as reported on the New York Stock Exchange Composite Transaction Tape and (2) the cash dividends paid per share of Exelon and PSEG common stock. The sales prices and dividends with respect to Exelon common stock noted below have been retroactively restated for all periods to reflect the 2 for 1 stock split that was distributed to the Exelon shareholders on May 5, 2004.

	Exelon Common Stock			PSEG Common Stock		
	High	Low	Dividends	High	Low	Dividends
2003						
First Quarter	$ 27.60	$ 23.04	$ 0.23	$ 37.25	$ 32.09	$ 0.54
Second Quarter	30.46	24.83	0.23	44.50	36.45	0.54
Third Quarter	31.98	27.09	0.25	43.78	39.77	0.54
Fourth Quarter	33.31	30.48	0.25	44.20	39.40	0.54
2004						
First Quarter	34.44	32.18	0.275	47.71	42.85	0.55
Second Quarter	34.90	30.92	0.275	47.70	39.66	0.55
Third Quarter	37.90	32.69	0.305	42.60	38.10	0.55
Fourth Quarter	44.70	37.16	0.40	52.64	40.55	0.55
2005						
First Quarter	47.18	41.77	0.40	56.09	49.67	0.56
Second Quarter (through May 31, 2005)	49.70	44.14	0.40	58.28	52.00	0.56

RISK FACTORS

Exelon and PSEG will operate as a combined company in a market environment that involves significant risks, many of which will be beyond the combined company's control. In addition to the other information contained in or incorporated by reference into this joint proxy statement/prospectus, you should carefully consider the risks described below before deciding how to vote your shares. This section does not describe risks that are generally applicable to participants in the utility and generation industries. We believe we have described all other material risks relating to the merger and the combined company; however, additional risks and uncertainties not presently known to Exelon and PSEG or that are not currently believed to be important to you, if they materialize, also may adversely affect the merger and Exelon and PSEG as a combined company.

Risks Relating to the Merger

The value of Exelon shares to be received by PSEG shareholders will fluctuate.

Upon completion of the merger, each outstanding share of PSEG common stock will be converted into the right to receive 1.225 shares of Exelon common stock. The number of shares of Exelon common stock to be issued pursuant to the merger for each share of PSEG common stock is fixed. The market price of Exelon common stock when the merger is completed may differ significantly from its market price at the date of this joint proxy statement/prospectus and at the date of the annual meetings of Exelon and PSEG. For example, during the 12-month period ended on May 31, 2005, the most recent practicable date prior to the mailing of this joint proxy statement/prospectus, Exelon common stock traded in a range from a low of $32.10 to a high of $49.70 and ended that period at $46.85. See "Summary Comparative Per Share Market Price and Dividend Information" beginning on page 20 of this joint proxy statement/prospectus for more detailed share price information.

Because of the number of regulatory approvals necessary to complete the merger, there may be a significant period of time between the date of the Exelon and PSEG annual meetings and the closing date of the merger, which under the merger agreement must occur no later than December 20, 2006 unless that date is extended by Exelon and PSEG. **At the time of their respective annual meetings, Exelon and PSEG shareholders will not know the exact market value of the Exelon common stock that will be issued in connection with the merger. The value of the merger consideration to be received by PSEG shareholders will fluctuate with changes in the price of Exelon's common stock. Shareholders of Exelon and PSEG are urged to obtain current market quotations for Exelon and PSEG common stock.**

The anticipated benefits of combining PSEG and Exelon may not be realized.

Exelon and PSEG entered into the merger agreement with the expectation that the merger would result in various benefits, including, among other things, synergies, cost savings and operating efficiencies. Although we expect to achieve the anticipated benefits of the merger, achieving them, including the synergies, is subject to a number of uncertainties, including:

- whether FERC, the NJBPU and the other regulatory authorities whose approval is required to complete the merger impose conditions on the merger that may have a material adverse effect on the combined company;
- the extent to which the NJBPU, PPUC and other state regulatory authorities whose approval is required to complete the merger require the combined company to share a portion of the expected synergies of the merger with customers; and
- general competitive factors in the market place.

Although the companies' plans for integration and operation of the combined company and its subsidiaries and divisions are focused on minimizing uncertainties in order to achieve these anticipated benefits, no assurance can be given that these benefits will be achieved. Failure to achieve these anticipated benefits could result in increased costs, decreases in the amount of expected revenues and diversion of management's time and energy and could have an adverse effect on the combined company's business, financial condition, operating results and prospects.

Exelon and PSEG may be unable to successfully integrate their operations.

The merger involves the integration of two companies that previously operated independently. The difficulties of combining each company's operations include:

- the necessity of coordinating geographically separated organizations, systems and facilities; and
- integrating personnel with diverse business backgrounds.

In addition, the integration of some of Exelon's and PSEG's operations will require regulatory approval.

Exelon and PSEG recognize that the process of integrating operations could cause an interruption of, or loss of momentum in, the activities of one or more of the combined company's businesses, and we intend to address these issues. The diversion of management's attention and any delays or difficulties encountered in connection with the merger and the integration of the two companies' operations could have an adverse effect on the business, financial condition, operating results and prospects of the combined company after the merger, and could impair the combined company's ability to realize the anticipated benefits of the merger.

The application of the purchase method of accounting will result in approximately $8.1 billion of additional goodwill which could become impaired and adversely affect the market value of the combined company's common stock following completion of the merger.

Under the purchase method of accounting, the total purchase price paid by Exelon in the merger will be allocated to PSEG's tangible assets and liabilities and identifiable intangible assets, if any are identified, based on their fair values as of the date of completion of the merger. The excess of the purchase price over those fair values will be recorded as goodwill. We expect that the merger will result in the creation of approximately $8.1 billion in goodwill based upon the application of purchase accounting. As a result, upon completion of the merger, the combined company will have approximately $13.4 billion in goodwill. To the extent the value of goodwill or intangibles becomes impaired, the combined company may be required to incur material charges relating to such impairment. Such a potential impairment charge could have a material impact on the combined company's operating results.

The combined company may be unable to obtain permission from the NJBPU to recover PSE&G's pension and other post-retirement benefit expenses, which could have an adverse effect on its cash flow and results of operation.

PSE&G is permitted by its current NJBPU rate order to recover through its rates the amortized portion of its pension expenses and other post-retirement benefit expenses associated with its pension and post-retirement obligations. As a result of the application of the purchase method of accounting to these costs, the recognition of certain unrecognized pension and OPEB expenses will be accelerated and, as a result, will no longer be reflected in the calculation of pension and OPEB expenses that PSE&G's current rate order permits it to recover. PSE&G estimates that it could have as much as $1.2 billion in unrecognized pension and OPEB expenses that PSE&G may be unable to recover following completion of the merger unless it obtains approval from the NJBPU to permit continued recovery of those expenses in the manner the current rate order permits. Exelon and PSEG have made it a condition to completion of the merger that PSE&G receive an order from the NJBPU permitting

PSE&G to continue to recover the pension expenses as it did prior to completion of the merger. The NJBPU has issued similar orders in other merger proceedings and such an order would not be expected to increase rates above current levels; however, Exelon and PSEG cannot assure you that PSE&G will receive such an order from the NJBPU or that if it does receive such an order, it will be permitted in future rate proceedings to continue to recover these expenses. Failure to obtain or maintain the right to recover the pension and OPEB expenses would have an adverse effect on the combined company's cash flow and results of operations.

Exelon and PSEG will incur significant transaction and merger-related integration costs in connection with the merger.

Exelon and PSEG expect to incur costs associated with consummating the merger and integrating the operations of the two companies, as well as approximately $41 million in transaction fees in the case of Exelon and $29 million in the case of PSEG. The estimated $41 million of transaction costs incurred by Exelon will be included as a component of the purchase price for purposes of purchase accounting. The amount of transaction fees expected to be incurred is a preliminary estimate and subject to change. Exelon currently estimates integration costs associated with the merger to be approximately $700 million over a period of four years, with approximately $450 million being incurred in the first full year of operations following completion of the merger. Exelon is in the early stages of assessing the magnitude of these costs and, therefore, these estimates may change, and additional unanticipated costs may be incurred in the integration of the businesses of Exelon and PSEG. Although Exelon and PSEG believe that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses, will offset incremental transaction and merger-related costs over time, we cannot assure you that this net benefit will be achieved in the near term, or at all.

Exelon and PSEG will be subject to business uncertainties and contractual restrictions while the merger is pending which could adversely affect their businesses.

Uncertainty about the effect of the merger on employees and customers may have an adverse effect on Exelon and PSEG and, consequently, on the combined company. Although Exelon and PSEG intend to take steps to reduce any adverse effects, these uncertainties may impair Exelon's and PSEG's ability to attract, retain and motivate key personnel until the merger is consummated and for a period of time thereafter, and could cause customers, suppliers and others that deal with Exelon and PSEG to seek to change existing business relationships with Exelon and PSEG. Employee retention may be particularly challenging duign="bottom" width="1%" style="BORDER-BOTTOM: black 2px solid">

Plan

Plan

Shares

Price

Life

Value

Outstanding, January 1, 2012

1,545

836

173

2,554

$38.39

Granted

133

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				133	$46.27		
Exercised	(253)	(121)	(17)	(391)	$28.27		
Forfeited and expired	(3)	(1)	--	(4)	$38.79		
Outstanding, March 31, 2012	1,422	714	156	2,292	$40.57	5.4	$18,540
Exercisable, March 31, 2012	938	714	156	1,808	$40.68	4.5	$14,569

The following table summarizes non-vested restricted stock unit activity through March 31, 2012 (in thousands, except weighted average grant-date fair value amounts):

	2007 Plan Restricted Stock Units	Weighted Average Grant-Date Fair Value
Outstanding, January 1, 2012	409	$35.48
Granted	154	$46.21
Vested	(150)	$30.92
Canceled	(89)	$40.28
Outstanding, March 31, 2012	324	$41.37

A portion of the restricted stock unit awards are time-based awards that vest ratably over three years. The remaining portion of the awards represents performance-based awards that vest after three years, provided certain performance targets related to the first year of the vesting period are achieved.

A summary of compensation cost related to share-based payments is as follows (in millions):

	Quarter Ended March 31, 2012	Quarter Ended March 31, 2011
Share-based expense (net of estimated forfeitures):		
Stock options	$ 0.5	$ 0.5
Non-vested stock/Restricted stock units	1.2	1.5
Total share-based expense	1.7	2.0
Total recognized tax benefit	(0.5)	(0.6)
Share-based expense (net of tax)	$ 1.2	$ 1.4

(5) Accounting for and Classification of Discontinued Operations: As required by FASB ASC Subtopic 205-20, Discontinued Operations, the sales of certain income-producing assets are classified as discontinued operations if (i) the operations and cash flows of the component have been, or will be, eliminated from the ongoing operations of the Company as a result of the disposal transaction and (ii) the Company will not have any significant continuing involvement in the operations of the component after the disposal transaction. Certain income-producing properties that are classified as "held for sale" under the requirements of FASB ASC Subtopic 205-20, are also treated as discontinued operations. Depreciation on these assets ceases upon their classification as "held-for-sale." Discontinued operations includes the results for properties that were sold through March 31, 2012 and, if applicable, the operating results of properties still owned, but meeting the definition of "discontinued operations" under FASB ASC Subtopic 205-20. Operating results included in the Condensed Consolidated Statements of Income and the segment results (Note 9) for the first three months of 2011 have been restated to reflect property that was classified as discontinued operations subsequent to March 31, 2011. Sales of land, residential units, and office condominium units are generally considered inventory and are not included in discontinued operations.

In the third quarter of 2011, the Company finalized a decision to terminate Matson's CLX2 service, due to the longer-term outlook for sustained high fuel prices and increasingly volatile Transpacific rates. As of the termination date, the Company had established and approved plans to (i) return to lessors or sub-charter the five vessels used in the service (ii) off-hire or dispose of certain excess container equipment and (iii) terminate office contracts and employees. These plans were substantially completed as of September 30, 2011; however, the off-hiring of excess leased containers is expected to continue through 2012 and two of the five ships are being offered for sub-charter until they are returned to the lessors in July 2012. The remaining three ships were returned to the lessors as of September 30, 2011 pursuant to the terms of the one-year charter contacts for these vessels. As of March 31, 2012, the Company had a liability of approximately $3.0 million in other current liabilities, representing the fair value of the obligations arising from exit activities associated with the termination of the service. The liability, which is principally related to future charter lease payments, net of sub-charter revenue, is expected to be substantially settled by July 31, 2012. There were no material assets owned by the Company that were associated with the CLX2 service at March 31, 2012. Overall, including charges incurred through March 31, 2012, the Company expects to incur total cash and non-cash charges of approximately $15.5 million by September 30, 2012 related to vessel charter obligations, the off-hiring or disposal of containers, and the termination of an office lease and employees.

The following table provides information regarding liabilities associated with the termination of CLX2 (in millions):

	Container and Charter Liabilities	Other Contractual Liabilities	Total
Balance at December 31, 2011	$ 4.9	$ 0.1	$ 5.0
Expenses incurred	2.3	--	2.3
Amounts paid	(4.3)	--	(4.3)
Balance at March 31, 2012	$ 2.9	$ 0.1	$ 3.0

Income (losses) from discontinued operations consisted of the following (in millions):

	Quarter Ended March 31, 2012	Quarter Ended March 31, 2011
Discontinued operations (net of tax)		
Sales of real estate assets	$ 2.4	$ 3.7
Real estate leasing operations	--	0.4
CLX2 operating and shut down losses	(1.4)	(8.0)
Income from discontinued operations (net of tax)	$ 1.0	$ (3.9)

In addition to the above losses classified as discontinued operations, the Company incurred additional costs, net of tax, which did not meet the criteria to be classified as discontinued operations of approximately $0.2 and $3.7 million for the three months ended March 31, 2012 and 2011, respectively. These costs were primarily related to the repositioning of excess containers that will continue to be used in the Company's ongoing operations and fuel costs.

(6) Pension and Post-retirement Plans: The Company has defined benefit pension plans that cover substantially all non-bargaining unit and certain bargaining unit employees. The Company also has unfunded non-qualified plans that provide benefits in excess of the amounts permitted to be paid under the provisions of the tax law to participants in qualified plans. The assumptions related to discount rates, expected long-term rates of return on invested plan assets, salary increases, age, mortality and health care cost trend rates, along with other factors, are used in determining the assets, liabilities and expenses associated with pension benefits. Management reviews the assumptions annually with its independent actuaries, taking into consideration existing and future economic conditions and the Company's intentions with respect to these plans. Management believes that its assumptions and estimates for 2011 are reasonable. Different assumptions, however, could result in material changes to the assets, obligations and costs associated with benefit plans.

The components of net periodic benefit cost recorded for the first quarters of 2012 and 2011 were as follows (in millions):

	Pension Benefits		Post-retirement Benefits	
	2012	2011	2012	2011
Service cost	$ 1.4	$ 2.3	$ 0.3	$ 0.3
Interest cost	3.7	5.0	1.0	0.9
Expected return on plan assets	(3.8)	(5.7)	--	--
Amortization of prior service cost	0.2	0.2	--	0.5
Amortization of net (gain) loss	2.2	2.1	0.5	0.1
Net periodic benefit cost	$ 3.7	$ 3.9	$ 1.8	$ 1.8

In 2012, the Company expects cash contributions to its pension plans will total approximately $21 million.

(7) Fair Value of Financial Instruments: The fair values of cash and cash equivalents, receivables and short-term borrowings approximate their carrying values due to the short-term nature of the instruments. The carrying amount and fair value of the Company's long-term debt at March 31, 2012 was $541 million and $564 million, respectively and $507 million and $532 million at December 31, 2011, respectively. The fair value of long-term debt is calculated by discounting the future cash flows of the debt at rates based on instruments with credit risk, terms and maturities similar to the Company's existing debt arrangements (level 2).

(8) In June 2011, the Financial Accounting Standards Board ("FASB") issued ASU No. 2011-05, Comprehensive Income (Topic 220)—Presentation of Comprehensive Income (ASU 2011-05), to require an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of equity. ASU 2011-05 is to be applied retrospectively and is effective for fiscal years and interim periods within those years, beginning after December 15, 2011. The Company adopted the standard effective January 1, 2012. The standard changed the presentation of the Company's condensed consolidated financial statements but did not affect the calculation of net income, comprehensive income or earnings per share.

In May 2011, the FASB issued ASU 2011-04, Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs (ASU 2011-04). The update to ASC 820, Fair Value Measurement, was issued to clarify the FASB Board's intent about the application of existing fair value measurement and disclosure requirements and improve the comparability of fair value measurements presented and disclosed in financial statements. The amendment expands the quantitative disclosures about fair value measurements categorized within Level 3 of the fair value hierarchy, including the valuation process used by the reporting entity and the sensitivity of the fair value measurement to changes in unobservable inputs. The amendment also specifies that the highest and best use valuation premise only applies to nonfinancial assets, and requires expanded disclosure about the reporting entity's use of a nonfinancial asset in a way that differs from the asset's highest and best use. The amendment also requires disclosure of the categorization by level of the fair value hierarchy for items that are not measured at fair value in the financial statements, but for which fair value is required to be disclosed. ASU 2011-04 was adopted by the Company on January 1, 2012. The adoption of ASU 2011-04 did not have a material impact on the Company's condensed consolidated financial statements and disclosures.

(9) Segment results for the three months ended March 31, 2012 and 2011 were as follows (in millions):

	Three Months Ended March 31,	
	2012	2011

Revenue:		
Transportation:		
Ocean transportation	$ 279.7	$ 238.4
Logistics services	86.6	91.3
Real Estate:		
Sales	11.5	23.4
Leasing	25.6	26.0
Amounts reported in discontinued operations	(9.0)	(15.4)
Agribusiness	14.0	16.1
Reconciling Items	(3.4)	(6.5)
Total revenue	$ 405.0	$ 373.3
Operating Profit, Net Income:		
Transportation:		
Ocean transportation	$ 8.1	$ 5.4
Logistics services	0.3	1.5
Real Estate:		
Sales	0.9	12.0
Leasing	10.7	10.6
Less amounts reported in discontinued operations	(3.9)	(7.3)
Agribusiness	3.5	2.6
Total operating profit	19.6	24.8
Interest Expense	(6.1)	(6.2)
General Corporate Expenses	(5.6)	(4.2)
Separation Costs	(3.3)	--
Income From Continuing Operations Before Income Taxes	4.6	14.4
Income Tax Expense	1.8	5.3
Income From Continuing Operations	2.8	9.1
Income From Discontinued Operations (net of income taxes)	1.0	(3.9)
Net Income	$ 3.8	$ 5.2

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

The following analysis of the consolidated financial condition and results of operations of Alexander & Baldwin, Inc. and its subsidiaries (collectively, the “Company”) should be read in conjunction with the condensed consolidated financial statements and related notes thereto included in Item 1 of this Form 10-Q.

FORWARD-LOOKING STATEMENTS

The Company, from time to time, may make or may have made certain forward-looking statements, whether orally or in writing, such as forecasts and projections of the Company’s future performance or statements of management’s plans and objectives. These statements are “forward-looking” statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Such forward-looking statements may be contained in, among other things, Securities and Exchange Commission (“SEC”) filings, such as the Forms 10-K, 10-Q and 8-K, the Annual Report to Shareholders, press releases made by the Company, the Company’s Internet Web sites (including Web sites of its subsidiaries), and oral statements made by the officers of the Company. Except for historical information contained in these written or oral communications, such communications contain forward-looking statements. New risk factors emerge from time to time and it is not possible for the Company to predict all such risk factors, nor can it assess the impact of all such risk factors on the Company’s business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Accordingly, forward-looking statements cannot be relied upon as a guarantee of future results and involve a number of risks and uncertainties that could cause actual results to differ materially from those projected in the statements, including, but not limited to the factors that are described in Part I, Item 1A under the caption of “Risk Factors” of the Company’s 2011 Annual Report on Form 10-K. The Company is not required, and undertakes no obligation, to revise or update forward-looking statements or any factors that may affect actual results, whether as a result of new information, future events, or circumstances occurring after the date of this report.

OVERVIEW

Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) is designed to provide a discussion of the Company’s financial condition, results of operations, liquidity and certain other factors that may affect its future results from the perspective of management. The discussion that follows is intended to provide information that will assist in understanding the changes in the Company’s financial statements from period to period, the primary factors that accounted for those changes, and how certain accounting principles, policies and estimates affect the Company’s financial statements. MD&A is provided as a supplement to the condensed consolidated financial statements and notes herein, and should be read in conjunction with the Company’s 2011 Annual Report on Form 10-K as well as the Company’s reports on Forms 10-Q and 8-K and other publicly available information.

MD&A is presented in the following sections:

- Business Overview
- Consolidated Results of Operations
- Analysis of Operating Revenue and Profit by Segment
- Liquidity and Capital Resources
- Business Outlook
- Other Matters

BUSINESS OVERVIEW

Alexander & Baldwin, Inc. ("A&B"), founded in 1870, is a multi-industry corporation headquartered in Honolulu that operates in five segments in three industries—Transportation, Real Estate, and Agribusiness.

Transportation: The Transportation Industry consists of Ocean Transportation and Logistics Services segments. The Ocean Transportation segment, which is conducted through Matson Navigation Company, Inc. ("Matson"), a wholly-owned subsidiary of A&B, is an asset-based business that derives its revenue primarily through the carriage of containerized freight between various U.S. Pacific Coast, Hawaii, Guam, China and other Pacific island ports. Additionally, the Ocean Transportation segment has a 35 percent interest in an entity that provides terminal and stevedoring services at U.S. Pacific Coast facilities.

The Logistics Services segment, which is conducted through Matson Logistics, Inc. ("ML"), a wholly-owned subsidiary of Matson, is an asset-light based business that is a provider of domestic and international rail intermodal service ("Intermodal"), long-haul and regional highway brokerage, specialized hauling, flat-bed and project work, less-than-truckload, expedited/air freight services, and warehousing and distribution services (collectively "Highway"). Warehousing, packaging and distribution services are provided by Matson Logistics Warehousing, Inc. ("MLW"), a wholly-owned subsidiary of ML.

Real Estate: The Real Estate Industry consists of two segments, both of which have operations in Hawaii and on the U.S. Mainland. The Real Estate Sales segment generates its revenues through the development and sale of land and commercial and residential properties. The Real Estate Leasing segment owns, operates, and manages retail, office, and industrial properties. Real estate activities are conducted through A&B Properties, Inc. and various other wholly-owned subsidiaries of A&B.

Agribusiness: Agribusiness, which contains one segment, produces bulk raw sugar, specialty food grade sugars, and molasses; markets and distributes specialty food-grade sugars; provides general trucking services; and generates and sells, to the extent not used in the Company's Agribusiness operations, electricity. The Company also is the sole member in Hawaiian Sugar & Transportation Cooperative ("HS&TC"), a cooperative that provides raw sugar marketing and transportation services.

Separation transaction: On December 1, 2011, the Company announced that its Board of Directors unanimously approved a plan to pursue the separation of the Company to create two independent, publicly traded companies:

- A Hawaii-based land company with interests in real estate development, commercial real estate and agriculture (composed of the Real Estate and Agribusiness industries described above), which will retain the Alexander & Baldwin, Inc. name; and

- An ocean transportation company serving the U.S. West Coast, Hawaii, Guam, Micronesia and China, and a domestic logistics company under the Matson name (composed of the businesses in the Transportation industry described above).

The separation is expected to be completed in the third quarter of 2012.

On February 13, 2012, the Company entered into an Agreement and Plan of Merger to reorganize itself as a holding company incorporated in Hawaii. The holding company structure will help facilitate the separation by allowing the Company to organize and segregate the assets of its different businesses in an efficient manner prior to the separation and facilitate the third party and governmental consent and approval process. In addition, the holding company reorganization will help preserve the Company's status as a U.S. citizen under certain U.S. maritime and vessel documentation laws (popularly referred to as the Jones Act) by, among other things, limiting the percentage of outstanding shares of common stock in the holding company that may be owned (of record or beneficially) or controlled in the aggregate by non-U.S. citizens (as defined by the Jones Act) to a maximum permitted percentage of 22%.

CONSOLIDATED RESULTS OF OPERATIONS

Consolidated – First quarter of 2012 compared with 2011

(dollars in millions)	Quarter Ended March 31, 2012	2011	Change
Operating revenue	$ 405.0	$ 373.3	8%
Operating costs and expenses	392.8	358.4	10%
Operating income	12.2	14.9	-18%
Other income and (expense) – net	(7.6)	(0.5)	-15X
Income before taxes	4.6	14.4	-68%
Income tax expense	1.8	5.3	-66%
Discontinued operations (net of income taxes)	1.0	(3.9)	NM
Net income	$ 3.8	$ 5.2	-27%
Basic earnings per share	$ 0.09	$ 0.12	-25%
Diluted earnings per share	$ 0.09	$ 0.12	-25%

Consolidated operating revenue for the first quarter of 2012 increased $31.7 million, or 8 percent, compared to the first quarter of 2011. This increase was principally due to $41.3 million in higher revenue for Ocean Transportation, partially offset by $6.6 million in lower revenue from Real Estate Sales (excluding revenue from property sales classified as discontinued operations), $4.7 million in lower revenue from Logistics Services, and $2.1 million in lower revenue from Agribusiness. Revenue from Real Estate Leasing (excluding revenue from leasing activities classified as discontinued operations) approximated 2011. The reasons for the revenue increase are described below, by business segment, in the Analysis of Operating Revenue and Profit by Segment.

Operating costs and expenses for the first quarter of 2012 increased $34.4 million, or 10 percent, compared to the first quarter of 2011. This increase was principally due to a $35.1 million increase in cost for the transportation segments. The reasons for the operating cost and expense changes are described below, by business segment, in the Analysis of Operating Revenue and Profit by Segment.

Other income and (expense) decreased $7.1 million, primarily due to a 2011 gain of $3.7 million from the sale of the Company's interest in its Bridgeport joint venture project in Valencia, California and $1.6 million of joint venture losses in 2012 as compared to $2.0 million of joint venture earnings in 2011.

Income taxes for the first quarter of 2012 decreased by $3.5 million compared to the first quarter of 2011 due to lower income. The effective tax rate in 2012 was consistent with 2011.

ANALYSIS OF OPERATING REVENUE AND PROFIT BY SEGMENT

TRANSPORTATION INDUSTRY

Ocean Transportation – First quarter of 2012 compared with 2011

(dollars in millions)	Quarter Ended March 31, 2012	2011	Change
Revenue	$ 279.7	$ 238.4	17%
Operating profit	$ 8.1	$ 5.4	50%
Operating profit margin	2.9%	2.3%	
Volume (Units)*			
Hawaii containers	32,500	34,000	-4%
Hawaii automobiles	16,900	17,900	-6%
China containers	13,700	12,900	6%
Guam containers	6,400	3,300	94%

*Container volumes included for the period are based on the voyage departure date, but revenue and operating profit are adjusted to reflect the percentage of revenue and operating profit earned during the reporting period for voyages that straddle the beginning or end of each reporting period.

Ocean Transportation revenue increased 17 percent, or $41.3 million, in the first quarter of 2012 compared with the first quarter of 2011. The increase was due principally to $26.9 million in higher fuel surcharges resulting from higher fuel prices, as well as net volume growth, as higher volumes in Guam and China were partially offset by reduced volumes in the Hawaii trade.

Total Hawaii container volume decreased 4 percent in the first quarter of 2012 due to a combination of factors including: overall softness in the market; changes in a customer's supply chain, resulting in a shift of a portion of the customer's cargo that now moves across Asia into Hawaii; and first quarter 2011 volume related to customer store openings and construction projects that were not replicated in 2012. Matson's Hawaii automobile volume for the quarter was 6 percent lower than the first quarter of 2011, due primarily to the timing of automobile rental fleet replacement activity and reduced manufacturer volumes. China container volume increased in the first quarter of 2012 as compared to the first quarter of 2011 due to increased demand and better Transpacific trade management of vessel capacity. Guam volume was substantially higher in 2012 as compared to 2011 due primarily to gains related to the departure of a competitor from the trade in mid-November 2011.

Ocean Transportation operating profit increased $2.7 million, or 50 percent, in the first quarter of 2012 compared with the first quarter of 2011. The increase in operating profit was principally due to higher volume in the Guam trade and, to a lesser extent, increased carriage in the China trade, partially offset by the Hawaii trade volume as previously cited. Additionally, reduced vessel expenses favorably impacted results, due to fuel cost improvements. The improvement in operating profit was partially offset by higher vessel operating costs resulting from first quarter 2012 scheduled dry-docking, higher outside transportation costs due to a 2012 barge drydock and increased activity in the Guam trade, and higher terminal handling costs due primarily to increased wharfage and container handling rates.

Logistics Services – First quarter of 2012 compared with 2011

	Quarter Ended March 31,		
(dollars in millions)	2012	2011	Change
Intermodal revenue	$ 52.6	$ 53.9	-2%
Highway revenue	34.0	37.4	-9%
Total Revenue	$ 86.6	$ 91.3	-5%
Operating profit	$ 0.3	$ 1.5	-80%
Operating profit margin	0.3%	1.6%	

Logistics Services revenue decreased 5 percent, or $4.7 million, in the first quarter of 2012 compared with the first quarter of 2011. This decrease was principally the result of a decrease in intermodal and highway volume, which decreased 21 percent and 8 percent, respectively. Intermodal volume declined primarily due to the shutdown of CLX2 and the loss of a major ocean carrier customer. Highway volume decreased due to the loss of certain full truckload customers.

Logistics Services operating profit decreased 80 percent, or $1.2 million, to $0.3 million in the first quarter of 2012 compared with the first quarter of 2011. The operating profit decrease was due principally to the lower highway volume noted above, and lower profitability at the Company's warehousing business. International intermodal performance declined due to the discontinuation of CLX2 and the loss of a major ocean carrier customer, but was more than offset by the improved performance of the domestic intermodal business in the first quarter compared to last year.

REAL ESTATE INDUSTRY

Real Estate Sales and Real Estate Leasing revenue and operating profit are analyzed before subtracting amounts related to discontinued operations. This is consistent with how the Company's management evaluates performance and makes decisions regarding capital allocation for the Company's real estate businesses. A discussion of discontinued operations for the real estate business is included separately.

Effect of Property Sales Mix on Operating Results: Direct year-over-year comparison of the real estate sales results may not provide a consistent, measurable indicator of future performance because results from period to period are significantly affected by the mix and timing of property sales. Operating results, by virtue of each project's asset class, geography, and timing, are inherently episodic. Earnings from joint venture investments are not included in segment revenue, but are included in operating profit. The mix of real estate sales in any year or quarter can be diverse and can include developed residential real estate, commercial properties, developable subdivision lots, undeveloped land, and property sold under threat of condemnation. The sale of undeveloped land and vacant parcels in Hawaii generally provides higher margins than does the sale of developed and commercial property, due to the low historical-cost basis of the Company's Hawaii land. Consequently, real estate sales revenue trends, cash flows from the sales of real estate, and the amount of real estate held for sale on the balance sheets do not necessarily indicate future profitability trends for this segment. Additionally, the operating profit reported in each quarter does not necessarily follow a percentage of sales trend because the cost basis of property sold can differ significantly between transactions.

Real Estate Sales –First quarter of 2012 compared with 2011

	Quarter Ended March 31,		
(dollars in millions)	2012	2011	Change
Improved property sales	$ 5.0	$ 14.2	-65%
Development sales	1.4	1.9	-26%
Unimproved/other property sales and investment gain	5.1	7.3	-30%
Total revenue	$ 11.5	$ 23.4	-51%
Operating profit before joint ventures and real estate investment gain	$ 2.5	$ 6.3	-60%
Earnings (loss) from joint ventures and real estate investment gain	(1.6)	5.7	NM
Total operating profit	$ 0.9	$ 12.0	-93%

2012 First Quarter: Revenue from Real Estate Sales was $11.5 million and included the sales of two leased fee parcels on Maui, two residential units on Oahu, a California office property, and a 79-acre non-core land parcel on Maui. Operating profit included the impact of joint venture expenses.

2011 First Quarter: Revenue from Real Estate Sales was $23.4 million and included the sales of two commercial properties and a residential unit on Maui and Oahu, and an 86-acre non-core land parcel on Maui. In addition to these sales, operating profit included an investment gain from the sale of the Company's interest in the Bridgeport Marketplace development joint venture in Valencia, California, and joint venture earnings from the sales of a four-acre commercial parcel at the Company's Kukui'ula joint venture on Kauai and two residential units on the island of Hawaii, partially offset by other joint venture expenses.

Real Estate Leasing – First quarter of 2012 compared with 2011

	Quarter Ended March 31,		
(dollars in millions)	2012	2011	Change
Revenue	$ 25.6	$ 26.0	-2%
Operating profit	$ 10.7	$ 10.6	1%
Operating profit margin	41.7%	40.8%	
Occupancy Rates:			
Mainland	93%	91%	
Hawaii	91%	90%	
Leasable Space (million sq. ft.):			
Mainland	6.5	6.4	2%
Hawaii	1.4	1.5	-7%

Real Estate Leasing revenue for the first quarter of 2012, before subtracting amounts presented as discontinued operations, was 2 percent lower than 2011, primarily due to lower occupancies in two California office properties. Operating profit for the first quarter of 2012, before subtracting amounts presented as discontinued operations, was 1 percent higher than 2011 due to higher overall portfolio occupancies, and timing of acquisitions and dispositions. At March 31, 2012, the Company had approximately $9 million in tax-deferred proceeds that had not yet been reinvested.

Leasable space was increased by 7,700 square feet in the first quarter of 2012 compared with the first quarter of 2011, principally due to the following activity:

	Dispositions			Acquisitions	
Date	Property	Leasable sq. ft	Date	Property	Leasable sq. ft
6-11	Arbor Park Shopping Center	139,500	6-11	Union Bank Office Building	84,000
9-11	Wakea Business Center II	61,500	9-11	Issaquah Office Center	146,900
3-12	Firestone Boulevard Building	28,100	12-11	Gateway at Mililani Mauka	5,900
	Total Dispositions	229,100		Total Acquisitions	236,800

Real Estate Discontinued Operations – First quarter of 2012 compared with 2011

Revenue and operating profit related to discontinued operations for the first quarter of 2012 were as follows:

	Quarter Ended March 31,	
(dollars in millions, before tax)	2012	2011
Sales revenue	$ 8.9	$ 14.2
Leasing revenue	$ 0.1	$ 1.2
Sales operating profit	$ 3.9	$ 6.6
Leasing operating profit	$ --	$ 0.7

The leasing revenue and operating profit noted above includes the results for properties that were sold through March 31, 2012 and, if applicable, the operating results of properties still owned, but meeting the definition of “discontinued operations” under FASB ASC Subtopic 205-20. The leasing revenue and operating profit for the first quarter of 2012 and 2011 have been restated to reflect properties that were classified as discontinued operations subsequent to March 31, 2011.

AGRIBUSINESS

Agribusiness – First quarter of 2012 compared with 2011

	Quarter Ended March 31,		
(dollars in millions)	2012	2011	Change
Revenue	$ 14.0	$ 16.1	-13%
Operating profit	$ 3.5	$ 2.6	35%
Tons sugar produced	1,900	6,700	-72%
Tons sugar sold	2,200	2,200	--%

Agribusiness revenue decreased 13 percent, or $2.1 million, in the first quarter of 2012 compared with the first quarter of 2011, due principally to a $1.6 million decrease in coffee and retail sales revenue as a result of the sale of the coffee assets at the end of the first quarter of 2011, and a $1.3 million decrease in third-party vessel charter revenue. The decrease in revenue was partially offset by a $0.4 million increase in revenue from the lease of agricultural land and a $0.3 million increase in power revenue.

Operating profit was $3.5 million in the first quarter of 2012 compared to an operating profit of $2.6 million in the first quarter of 2011. The improvement was due principally to a $1.0 million improvement in operating margins due to higher power and lease revenue and lower operating expenses as a result of the sale of the coffee operations in the first quarter of 2011.

Sugar production was lower in 2012 due to a later start to the harvest in the first quarter of 2012 compared to last year.

LIQUIDITY AND CAPITAL RESOURCES

Overview: Cash flows provided by operating activities are generally the Company's primary source of liquidity. Additional sources of liquidity were provided by available cash and cash equivalent balances as well as borrowings on available credit facilities.

Cash Flows: Cash flows used in operating activities totaled $20 million for the first quarter of 2012, compared with $11 million for the first quarter of 2011. The increase in cash flows used in operating activities was principally due to increases in working capital, the majority of which was sugar inventory, and higher corporate expenses, including pension contributions.

Cash flows used in investing activities totaled $19 million for the first quarter of 2012, compared with $10 million for the first quarter of 2011. The increase in cash flows used in investing activities was due principally to $7.5 million of proceeds from the 2011 sale of the Company's interest in its Bridgeport Marketplace joint venture.

Capital expenditures for the first quarter of 2012 totaled $13 million compared with $15 million for the first quarter of 2011. The 2012 expenditures included $8 million for the purchase of transportation-related assets, $2 million related to real estate related acquisitions and property improvements, and $3 million related to Agribusiness operations. Capital expenditures for the first quarter of 2011 totaled $15 million and included $11 million for the purchase of transportation-related assets, $2 million related to Agribusiness operations, and $2 million related to real estate related acquisitions and property improvements. There were no tax-deferred purchases in the first quarter of 2012 and 2011.

Cash flows provided by financing activities totaled $36 million for the first quarter of 2012 compared with $24 million in the first quarter of 2011. Cash flows from financing activities were higher in the first quarter of 2012 primarily due to $7 million in higher proceeds from stock option exercises and higher net borrowings of $5 million.

The Company believes that funds generated from operations, available cash and cash equivalents, and available borrowings under credit facilities will be sufficient to finance the Company's business requirements for this fiscal year, including working capital, capital expenditures, dividends, and potential acquisitions and stock repurchases. There can be no assurance, however, that the Company will continue to generate cash flows at or above current levels or that it will be able to maintain its ability to borrow under its available credit facilities.

Sources of Liquidity: Additional sources of liquidity for the Company, consisting of cash and cash equivalents, receivables, and inventories, totaled $226 million at March 31, 2012, an increase of $15 million from December 31, 2011. The increase was due primarily to a $23 million increases in inventories related to sugar production, partially offset by $5 million decrease in receivables and a $3 million decrease in cash and cash equivalents.

The Company also has various revolving credit and term facilities that provide additional sources of liquidity for working capital requirements or investment opportunities on a short-term as well as longer-term basis. Total debt was $596 million as of March 31, 2012, compared with $559 million at the end of 2011. As of March 31, 2012, available capacity under these facilities totaled $245 million.

Balance Sheet: The Company had working capital of $13 million at March 31, 2012, compared to a working capital deficiency of $3 million at the end of 2011. The change in working capital is due to increases in inventories related to sugar.

Tax-Deferred Real Estate Exchanges: Sales – During the first quarter of 2012, $9 million of proceeds from the sale of an industrial property in California, two leased fee parcels on Maui and a non-core land parcel on Maui qualified for potential tax-deferral treatment under the Internal Revenue Code Section 1031. During the first quarter of 2011, $14 million of proceeds from the sales of two commercial properties on Maui and Oahu and a non-core land parcel on Maui qualified for potential tax-deferral treatment under the Internal Revenue Code Section 1031.

Purchases – During the first quarter of 2012 and 2011, the Company did not utilize any proceeds from tax-deferred sales.

The proceeds from 1031 tax-deferred sales are held in escrow pending future use to purchase new real estate assets. The proceeds from 1033 condemnations are held by the Company until the funds are redeployed. As of March 31, 2012, there were $9 million of proceeds from tax-deferred sales that had not been reinvested.

The funds related to 1031 transactions are not included in cash flows from investing activities in the Condensed Consolidated Statement of Cash Flows but are disclosed as non-cash activities. For "reverse 1031" transactions, the Company purchases a property in anticipation of receiving funds from a future property sale. Funds used for reverse 1031 purchases are included as capital expenditures on the Condensed Consolidated Statement of Cash Flows and the related sales of property, for which the proceeds are linked, are included as property sales in the Statement. No reverse 1031 transactions were incurred during the quarter ended March 31, 2012.

Commitments, Contingencies and Off-balance Sheet Arrangements: A description of other commitments, contingencies, and off-balance sheet arrangements at March 31, 2012, and herein incorporated by reference, is included in Note 2 to the condensed consolidated financial statements of Item 1 in this Form 10-Q.

BUSINESS OUTLOOK

The following discussion provides an update of the Company's outlook for 2012 included on page 58 of the Company's 2011 Form 10-K. All of the forward-looking statements made herein are qualified by the inherent risks of the Company's operations and the markets it serves, as more fully described on pages 19-29 of the Company's 2011 Form 10-K.

The Company's overall outlook assumes modest growth for the U.S. and Hawaii economies. In Hawaii, increases in visitor arrivals and expenditures are expected to remain the principal drivers of growth. The State's visitor industry performed well in 2011, and performance continues to be strong in 2012. State economists estimate that 2012 will be a record year for arrivals and expenditures.

There are two primary sources of periodic economic forecasts and data for the State of Hawaii: The University of Hawaii Economic Research Organization (UHERO) and the State's Department of Business, Economic Development and Tourism (DBEDT). Economic information included herein has been derived from economic reports available on UHERO's and DBEDT's websites that provide more complete information about the status of and forecast for the Hawaii economy.

Ocean Transportation: Ocean Transportation's performance continues to be highly dependent on the future performance of the national and Hawaii economies, fuel prices, Transpacific freight rates, and other factors that cannot be predicted with certainty.

The Company expects Hawaii container volume to be moderately lower for the second quarter of 2012. Meaningful growth in the Hawaii trade is expected to be dependent on growth in the state's construction sector, which has yet to recover. In the Transpacific, the Company expects to run its CLX1 ships at full or near full capacity, and freight rates are expected to improve modestly compared to last year. The Transpacific freight rate improvement is primarily dependent on carrier management of capacity and strength in the U.S. economy. Improved performance in Guam is projected due to increased container volume resulting from a competitor's exit from the trade; such improvement is expected to be sustained until a new carrier enters this market.

Logistics Services: The Company will remain focused on expansion and improvement at our warehouse facilities, organic growth in the intermodal and highway businesses, and the roll out of our domestic 53-foot container program to improve profitability of this segment. Full-year performance for the segment is expected to be flat-to-modestly better than last year, but will be dependent upon improvement in the Mainland economy, as well as competitive dynamics, cargo mix, available capacity in the market and reliability of the underlying carriers.

Real Estate Leasing: In Real Estate Leasing, the Company expects both Mainland and Hawaii rents and occupancy to remain stable, and while quarter-to-quarter variability may occur, the Company expects modest overall full-year improvement in this segment.

Real Estate Development and Sales: Real estate sales and acquisitions are opportunistic and episodic by nature and, therefore, difficult to predict with certainty. As a result of the Company's strategic decision to refocus its commercial portfolio back to Hawaii over time, the pace of sales from its income portfolio will increasingly be dictated by the availability of favorable acquisition opportunities in Hawaii. For the second quarter of 2012, the Company expects commercial property sales will be minimal.

Agribusiness: Agribusiness is expected to continue to perform well based on forecasted sugar production and pricing that has already been locked in for the majority of the 2012 crop.

Separation Expenses: The foregoing outlooks for the business segments do not consider the impact of expenses related to the separation of the Company's transportation (Ocean Transportation and Logistics) and land (Real Estate Sales, Leasing and Agribusiness) businesses into two publicly traded companies. For the full-year 2012, professional fees and other one-time expenses related to the separation are estimated to range from $20 to $22 million pre-tax, including $3.3 million of pre-tax separation expenses recognized in the first quarter of 2012. Separation expenses are expected to be shared approximately equally by the two separate companies.

In addition to the professional fees and other expenses related to the separation described above, the Company anticipates non-cash expenses arising from the exchange of options held by existing employees that will be replaced with options in the new companies. Under this exchange, employees will receive replacement options that will retain the same intrinsic value and vesting schedules associated with the original options that existed immediately prior to the exchange; however, the Company must record incremental non-cash compensation expenses for the difference in the Black-Scholes values of the original and replacement options. The Company expects to provide further guidance regarding the potential range of incremental non-cash compensation expense associated with the Black-Scholes valuation of the original options versus replacement options for each company closer to the time of separation.

OTHER MATTERS

Dividends: The Company's first quarter dividend of $0.315 per share to shareholders was paid on March 1, 2012 to shareholders of record on February 9, 2012. The second quarter dividend of $0.315 is payable on June 4, 2012 to shareholders of record as of the close of business on May 10, 2012.

Significant Accounting Policies: The Company's significant accounting policies are described in Note 1 to the consolidated financial statements included in Item 8 of the Company's 2011 Form 10-K.

Critical Accounting Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, upon which the Management's Discussion and Analysis is based, requires that management exercise judgment when making estimates and assumptions about future events that may affect the amounts reported in the financial statements and accompanying notes. Future events and their effects cannot be determined with absolute certainty and actual results will, inevitably, differ from those critical accounting estimates. These differences could be material. The most significant accounting estimates inherent in the preparation of A&B's financial statements were described in Item 7 of the Company's 2011 Form 10-K.

Officer and Management Changes: The following management changes were effective between January 1, 2012 and May 9, 2012.

Effective May 1, 2012, Joel M. Wine was appointed senior vice president and chief financial officer of Matson. Mr. Wine continues to serve as senior vice president and chief financial officer of Alexander & Baldwin, Inc.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information concerning market risk is incorporated herein by reference to Item 7A of the Company’s Form 10-K for the fiscal year ended December 31, 2011. There has been no material change in the quantitative and qualitative disclosures about market risk since December 31, 2011.

ITEM 4. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures. The Company’s management, with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company’s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this report. Based on such evaluation, the Company’s Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company’s disclosure controls and procedures are effective.

(b) Internal Control Over Financial Reporting. There have not been any changes in the Company’s internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
Jan 1 - 31, 2012	64,150 (1)	$46.61	--	--
Feb 1 - 29, 2012	--	--	--	--
Mar 1 - 31, 2012	10, 307(1)	$47.16	--	--

(1) Represents shares accepted in satisfaction of tax withholding obligations upon vesting of non-vested common stock and restricted stock units.

ITEM 6. EXHIBITS

31.1 Certification of Chief Executive Officer, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32 Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

ALEXANDER & BALDWIN, INC.
(Registrant)

Date: May 9, 2012

/s/ Joel M. Wine
Joel M. Wine
Senior Vice President,
Chief Financial Officer and Treasurer

Date: May 9, 2012

/s/ Paul K. Ito
Paul K. Ito
Vice President, Controller and
Assistant Treasurer

EXHIBIT INDEX

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