

Because of the complexity of the realignment process, no acronyms will be used in the following descriptions of the fourteen-step realignment:

Step One: Constellation Enterprises, Inc., will be merged into Constellation Energy Group, Inc., with Constellation Energy Group, Inc., as the surviving corporation.

Step Two: Constellation Holdings, Inc., will be merged into Constellation Energy Group, Inc., with Constellation Energy Group, Inc., as the surviving corporation.

Step Three: The stock of Constellation Investments, Inc.'s subsidiaries owning interests in certain electric power projects will be distributed to Constellation Energy Group, Inc. Constellation Energy Group, Inc., will then contribute the stock in the Constellation Investments, Inc., subsidiaries to Constellation Power, Inc.

Step Four: Constellation Power, Inc., will distribute to Constellation Energy Group, Inc., all of the stock of CPI International.

Step Five: Constellation Power, Inc., will convert its direct and indirect wholly-owned subsidiaries to limited liability corporations. Constellation Power, Inc., will form Constellation Power, LLC, and contribute certain of its direct and indirect wholly-owned companies to Constellation Power, LLC.

Step Six: Constellation Power Source Holdings, Inc., will form a new entity, Constellation Power Source Generation-Delaware, Inc., as a direct, wholly-owned subsidiary. Constellation Power Source Generation-Delaware, Inc., will form Constellation Power Source Generation, LLC. Thereafter, Constellation Power Source Generation, Inc., will merge into Constellation Power Source Generation, LLC. The effect of the merger will result in all of the assets and associated liabilities of Constellation Power Source Generation, Inc., will transfer to Constellation Power Source Generation, LLC.

Step Seven: The stock of Constellation Power Source, Inc., which is currently owned by Constellation Power Source Holdings, Inc., will be transferred to Constellation Power Source Generation-Delaware, Inc., with the result that Constellation Power Source, Inc., will be converted into a limited liability company, Constellation Power Source, LLC.

Step Eight: Constellation Nuclear, LLC, will form a new entity, Calvert Cliffs Nuclear Power Plant-Delaware, Inc., as a direct, wholly-owned subsidiary. Calvert Cliffs Nuclear Power Plant-Delaware, Inc., will form Nine Mile Point Nuclear Station, LLC.

Step Nine: Constellation Nuclear Services, Inc., a direct, wholly-owned subsidiary of Constellation Nuclear, LLC, will contribute all of its assets to a newly formed limited liability company, Constellation Nuclear Services, LLC.

Step Ten: Constellation Energy Group, Inc., will form a new merchant generation holding company, New Controlled, as a direct wholly-owned subsidiary.

Step Eleven: The shares of Constellation Nuclear, LLC, Constellation Power Source Holdings, Inc., and Constellation Power, Inc., now owned by Constellation Energy Group, Inc., will be contributed to New Controlled. Thereafter, New Controlled will own Constellation Nuclear, LLC.

Step Twelve: Virgo Holdings, Inc. will contribute cash and other assets to Constellation Power, LLC, Constellation Power Source Generation, LLC, Nine Mile Point Nuclear Station, LLC,

Constellation Power Source, LLC, and Constellation Nuclear Services, LLC, in exchange for a membership interest in each LLC not to exceed 17.5% interest.

Step Thirteen: Constellation Energy Group, Inc., will contribute its shares owned in Orion Power Holdings, Inc. (acquired pursuant to a merger of Constellation Enterprises, Inc., into Constellation Energy Group, Inc.) to BGE Home Products & Services, Inc. Orion Power Holdings, Inc., will become a direct, partially-owned subsidiary of BGE Home Products & Services, Inc.

Step Fourteen: Constellation Energy Group, Inc., will distribute New Controlled common shares to its public shareholders. Immediately thereafter, Constellation Energy Group, Inc., will change its name to BGE Corporation and New Controlled will change its name to Constellation Energy Group, Inc.

The applicants state that this proposed corporate restructuring process will take place in an instantaneous manner such that NMP LLC will become the ultimate and final owner and operator of NMP1 and NMP2.

As a result of the fourteen-step process described above, NMP LLC will become the owner and operator of NMP1 and NMP2. NMP LLC will become the wholly-owned subsidiary of Calvert Cliffs Nuclear Power Plant-Delaware, Inc., (CCNPP Delaware), which will be a wholly-owned subsidiary of Constellation Nuclear, LLC, which will be the wholly-owned subsidiary of New Controlled, which will be a wholly-owned subsidiary of CEG Inc.

2.2 Virgo Holdings, Inc.

Virgo Holdings, Inc. (Virgo), a Delaware corporation that is an indirect, wholly-owned subsidiary of The Goldman Sacks Group, Inc. (Goldman) (also a Delaware corporation), will obtain a partial ownership interest in, and a proportional right to, the profits and losses from the merchant energy business of CEG Inc.

After the completion of the corporate restructuring process, as described earlier in Section 2.0 of this Safety Evaluation, Virgo is expected to purchase up to a 17.5% interest in each of the lower-level LLC companies.

According to the applicants, as part of the Virgo transaction, CEG Inc., will cause New Controlled, or a subsidiary thereof, to become a member of each of the LLC companies. Virgo will also become a member of each of the LLC companies, including NMP LLC. Virgo will have no voting rights on the management committee of the LLC companies, including the committee that oversees the operation of NMP1 and NMP2, but rather only an economic interest as a member of each of the LLC companies. According to the applicants, Virgo will contribute cash in specific amounts and certain other assets to the LLC companies.

Virgo is expected to own up to 17.5% in each of the LLC companies at closing of the Virgo investment (based on a pro-forma balance sheet on September 30, 2000). That percentage may decline (but will not increase) depending upon future changes. Virgo has an option to make an additional cash contribution at closing in lieu of having its interest reduced below 17.5%.

At the closing, New Controlled will create a new class of common stock (Class B Common Stock), consisting of a single share, no par value, to be issued to Virgo. The Class B share conveys voting rights equivalent to Virgo's percentage economic interest in each of the LLC companies. Also at the closing, CEG Inc., will cause the Board of Directors of New Controlled to be composed of twelve individuals, ten selected by CEG Inc., and two selected by Virgo.

The applicants state that management of each of the LLC companies shall be by management committee consisting of individuals appointed by New Controlled (or a subsidiary of New Controlled). One individual of each LLC company's management committee will be appointed by Virgo. However, the Virgo representative on the committee will have no vote.

The applicants continue to state that Virgo will have the right to exchange all or a uniform percentage of its membership interests in the LLC companies for shares of Class A Common Stock in New Controlled and to require New Controlled to purchase Virgo's membership interests in the LLC companies. If Virgo exercises this right, its percentage interest in New Controlled (through its ownership of the Class A Common Stock) will be equivalent to the percentage interest in the LLC companies that Virgo has elected to exchange. Exercise by Virgo of its exchange rights will reduce Virgo's voting rights held pursuant to its Class B share of New Controlled by the number of voting rights attributable to the Class A Common Stock issued to Virgo pursuant to the exchange.

At closing of the Virgo transaction, Virgo will acquire up to a 17.5% interest in the LLC companies, and an equivalent percentage voting interest (via the Class B Common Share in New Controlled) in New Controlled. In addition, Virgo will be able to appoint a maximum of two members of the twelve-person Board of Directors of New Controlled. If Virgo exercises its rights to convert its Class B Common Stock to equivalent Class A Common Stock, its direct equity interest in the LLC companies would become indirect through its equity interest in New Controlled level.

2.3 The Spin-off

After Virgo purchases its interest in each of the LLC companies, all of the common stock of New Controlled will be distributed to CEG Inc., shareholders to effect the Spin-off. The Spin-off is expected to occur in 2001. When New Controlled becomes publicly owned, it will change its name to Constellation Energy Group, Inc. and CEG Inc. will change its name to BGE Corporation.

Virgo will have the right to require CEG to purchase Virgo's membership interest in the LLC companies if the spin-off does not occur by October 22, 2002.

At any time beginning six months after the Spin-off and ending ten years after the closing, Virgo is entitled to purchase from New Controlled, a specified number of shares of Class A Common Stock in New Controlled (Warrant) through a cashless exercise at a specified price. In lieu of issuing Class A Common Stock to Virgo in connection with exercise of the Warrant, New Controlled has the right to repurchase the Warrant at a price determined pursuant to a formula. The number of shares covered by the Warrant is subject to adjustment depending on Virgo's ownership percentage in the LLC companies and New Controlled at the time of the Spin-off.

If Virgo subsequently exercises its rights under the Warrant between six months after the Spin-off and ten years after the closing, it could increase its ownership interest in New

Controlled. The amount of additional Class A Common Stock of New Controlled that Virgo could receive upon exercise of the Warrant is dependent on the increase in the market price of New Controlled Class A Common Stock at the time of exercise over the exercise price of \$60.00. However, New Controlled has the option to pay the value of the Warrant in cash, in which case no additional Class A Common Stock would be issued to Virgo upon the exercise of the Warrant.

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