

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES ACT OF 1933**  
**Release No. 11248 / September 28, 2023**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 98616 / September 28, 2023**

**ACCOUNTING AND AUDITING ENFORCEMENT**  
**Release No. 4467 / September 28, 2023**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-21761**

**In the Matter of**

**EXELON CORPORATION and  
COMMONWEALTH EDISON  
COMPANY,**

**Respondents.**

**ORDER INSTITUTING CEASE-AND-  
DESIST PROCEEDINGS PURSUANT TO  
SECTION 8A OF THE SECURITIES ACT  
OF 1933 AND SECTION 21C OF THE  
SECURITIES EXCHANGE ACT OF 1934,  
MAKING FINDINGS, AND IMPOSING A  
CEASE-AND-DESIST ORDER**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) and Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against Exelon Corporation (“Exelon”) and Commonwealth Edison Company (“ComEd”) (referred to collectively as “Respondents”).

**II.**

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the “Offers”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, Respondents admit the Commission’s jurisdiction over them and the subject matter of these proceedings, and consent to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933 and Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order (“Order”), as set forth below.

### III.

On the basis of this Order and Respondents' Offers, the Commission finds<sup>1</sup> that:

#### Summary

These proceedings arise out of violations of the antifraud, books and records, and internal accounting control provisions of the Securities Act and the Exchange Act by Respondents as a result of a multi-year scheme by ComEd to corruptly influence and reward Michael Madigan ("Madigan"), the then-Speaker of the Illinois House of Representatives, for his assistance with respect to legislation affecting ComEd's business. The scheme occurred from around 2011 through 2019 and involved ComEd arranging for various Madigan associates to obtain jobs, vendor subcontracts, and monetary payments associated with those jobs and vendor subcontracts, for the benefit of Madigan and Madigan's associates, with the intent to influence and reward Madigan.

#### Respondents

1. Exelon, a Pennsylvania corporation headquartered in Chicago, Illinois, is a utility services holding company that trades on the NASDAQ Stock Market under the symbol "EXC." It reported revenues of \$19 billion, operating income of \$3.3 billion, and net income of nearly \$2.2 billion for the year ended December 31, 2022.

2. ComEd, an Illinois corporation headquartered in Chicago, Illinois is a subsidiary of Exelon. ComEd is 99% owned by Exelon and has common stock purchase warrants registered pursuant to Section 12(g) of the Exchange Act. ComEd also files separate audited financial statements with the Commission as it offers and sells debt securities under the Securities Act. ComEd entered into a deferred prosecution agreement ("DPA") with the United States Attorney for the District of Northern Illinois ("USAO" or "criminal authorities") on July 17, 2020. *USA v. Commonwealth Edison Company*, No. 1:20-cr-00368 (N.D. Ill.). As part of the agreement, ComEd admitted that the information set forth in the Statement of Facts attached to the DPA is true and accurate and agreed to pay a criminal fine of \$200 million.

#### Other Relevant Individuals

3. **Anne R. Pramaggiore ("Pramaggiore")** served as the chief executive officer of ComEd from approximately March 2012 to May 2018.

4. **Michael Madigan ("Madigan")** was Speaker of the Illinois House of Representatives during the relevant period.

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<sup>1</sup> The findings herein are made pursuant to Respondents' Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

## Facts

### **A. Background**

5. ComEd is the largest utility company in Illinois, employing over 6,000 individuals and delivering electricity to approximately 70 percent of Illinois's population. As a utility, ComEd is subject to extensive regulation by the State of Illinois. The State of Illinois regulates the rates that ComEd may charge its customers, as well as the rate of return ComEd may realize from its business operations.

6. The Illinois General Assembly, which is comprised of the Illinois House of Representatives and the Illinois Senate, routinely considers bills and passes legislation that has a substantial impact on ComEd's operations and profitability, including legislation that affects the regulatory process ComEd uses to determine the rates ComEd charges its customers for the delivery of electricity. In order for legislation to become law, it must be passed by both houses of the Illinois General Assembly – the Illinois House of Representatives and the Illinois Senate.

7. In December 2016, the Illinois Future Energy Jobs Act (FEJA) was passed into law by the Illinois General Assembly. Among other things, FEJA renewed the regulatory process that was beneficial to ComEd, ensuring a continued favorable rate structure.

8. During the relevant period, Madigan was speaker of the Illinois House of Representatives. ComEd understood that, as speaker, Madigan was able to exercise control over what measures were called for a vote in the House of Representatives and had influence and control over his fellow lawmakers concerning legislation, including legislation that affected ComEd. Starting around 2011, Madigan and his longtime confidant, a lobbyist and consultant to ComEd during the relevant time period (referred to hereinafter as "Lobbyist") sought to obtain from ComEd jobs, vendor subcontracts, and monetary payments associated with those jobs and subcontracts for various associates of Madigan, such as precinct captains who operated within Madigan's legislative district.

### **B. The Scheme**

9. In an effort to corruptly influence and reward Madigan to assist ComEd with respect to legislation concerning ComEd and its business, ComEd arranged for various Madigan associates to obtain jobs, vendor contracts and subcontracts, and monetary payments associated with those jobs and vendor subcontracts. In some instances, these associates did little to no work for which they were hired. In particular, during the same time frame that ComEd was making payments to Madigan's associates, ComEd was also seeking Madigan's support with certain legislation beneficial to ComEd, including the FEJA legislation, which would ensure a continued favorable rate structure for ComEd. ComEd, in the DPA, acknowledged that the reasonably foreseeable anticipated benefits to ComEd of such legislation exceeded \$150,000,000.

**i. Payments to Madigan's Associates**

10. From around 2011 through 2019, ComEd made indirect payments, totaling approximately \$1,324,500, to certain Madigan associates, who did little to no work for ComEd.

11. ComEd made the indirect payments through third-party vendors. These third-party vendors entered into contracts with ComEd to provide consulting and related services. In reality, a substantial portion of the money that was paid to these vendors under the contracts went to subcontractors who were Madigan associates and performed little to no work for ComEd. The purpose of these payments was to corruptly influence and reward Madigan in connection with the advancement and passage of legislation in the Illinois General Assembly that was favorable to ComEd.

12. An individual (referred to hereinafter as "Consultant") and his company ("referred to hereinafter as "Consulting Firm") had a political consulting contract with ComEd from 2005 to 2019. Consultant advised ComEd on matters related to the City of Chicago and Cook County, Illinois. From 2016 to May 2019, Consultant and Consulting Firm submitted monthly invoices to ComEd for amounts that ranged between \$32,750 and \$37,500. Beginning in August 2011, and until 2019, Consultant hired associates of Madigan as subcontractors.

13. Between 2016 and 2019, Consultant entered into contracts with and submitted invoices to ComEd. These contracts and invoices were purportedly for advice on "legislative issues" and "legislative risk management activities." In reality, a substantial portion of this compensation paid to Consulting Firm was intended for payment to Madigan's associates, who did little or no work for ComEd. Consultant and Consulting Firm did not supervise or direct the activities of the subcontractors, even though they were subcontracted under and worked for Consulting Firm. Since these payments to Consulting Firm's subcontractors were made through Consulting Firm, these payments were not reflected in ComEd's vendor payment system. Therefore, no payments to the Consulting Firm subcontractors could be identified in ComEd's vendor payment system.

14. Certain senior executives and agents of ComEd were aware of the payments to Madigan's associates from their inception until they were discontinued in or around 2019. They were also aware that the purpose of these payments to Madigan's associates was to corruptly influence and reward Madigan in connection with his official duties and to advance ComEd's business interests.

15. These executives structured the payments to the Madigan associates using Consulting Firm so that they would not be identifiable in ComEd's vendor payment system.

16. During the course of the scheme, ComEd sought approval from Madigan and Lobbyist before discontinuing any payments to Madigan's associates despite the fact that these individuals did little to no work for ComEd. As with the payments to Madigan associates through Consulting Firm, payments made to Madigan associates through other third-party vendors were not

identifiable in ComEd's vendor payment system. Former ComEd executives designed these payment arrangements in part to conceal the size of the payments and to assist ComEd in denying responsibility for oversight of Madigan's associates.

**ii. Pramaggiore Falsified Documents in Connection with Payments to Madigan's Associates.**

17. In January of 2017 and 2018, Pramaggiore signed false and misleading documents in connection with the renewal of Consultant's contract. The documents, called "Single Source Justification" forms, were required by ComEd's relevant internal policy for a contract for services that allowed ComEd to avoid a competitive bidding process. The purpose of the Single Source Justification forms was to explain ComEd's decision to retain services of a vendor in a noncompetitive manner and required the approval of a ComEd executive. The Single Source Justification forms signed by Pramaggiore were false and misleading because they created the appearance that all monies paid to Consultant under his contract with ComEd were for, among other things, Consultant's "unique insight & perspective to promote ComEd and its business matters to further develop, execute and manage its Government Relations presence" and "specific knowledge that cannot be sourced from another consultant/supplier." The Single Source Justification form did not explain that a large amount of the fees paid to Consultant would be used to pay certain Madigan associates who performed little or no work for ComEd.

**iii. Retention of Law Firm**

18. In approximately 2011, ComEd agreed to enter into a contract with a law firm of a Madigan associate ("Law Firm"), in part, for the purpose of influencing and rewarding Madigan in connection with his official duties. ComEd entered into a contract with Law Firm pursuant to which ComEd agreed to give Law Firm a minimum of 850 hours of attorney work per year. However, when Law Firm's contract came up for renewal in 2016, certain ComEd employees sought to reduce the number of hours of legal work because there was not enough appropriate legal work to give to Law Firm to fill the previously agreed-upon 850 annual hours and ComEd paid only for hours worked. The Madigan associate who owned the firm then complained to Lobbyist about ComEd's effort to reduce the amount of work it provided to the firm. On or about January 20, 2016, Lobbyist sent an email to Pramaggiore that stated, in part:

I am sure you know how valuable [attorney] is to our Friend.... I know the drill and so do you. If you do not get involve [sic] and resolve this issue of 850 hours for his law firm per year then he will go to our Friend. Our Friend will call me and then I will call you. Is this a drill we must go through? For me, [lobbyist] and I am sure you I just do not understand why we have to spend valuable minutes on items like this when we know it will provoke a reaction from our Friend.<sup>2</sup>

Pramaggiore responded to the email on the same day, stating "Sorry. No one informed me. I am on this." Pramaggiore then tasked a ComEd employee, who was assigned as a "project manager"

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<sup>2</sup> "Our friend" is how Lobbyist often referred to Madigan.

to assist with the project of obtaining legislative approval of FEJA, to ensure that Law Firm's contract was renewed. The project manager had no oversight authority over ComEd's legal department but was assigned the task of ensuring Law Firm's contract was renewed because the work provided to the law firm was designed, in part, to corruptly influence and reward Madigan in connection with Madigan's official duties, including the promotion and passage of FEJA. In or around June 2016, ComEd agreed to renew Law Firm's contract with substantially reduced annual hours.

### **C. Misleading Statements**

19. On at least two occasions in the fall of 2016, Pramaggiore made materially misleading statements to Exelon investors regarding ComEd's lobbying and legislative efforts in support of the FEJA legislation. On October 26, 2016, during an Exelon earnings call, Pramaggiore spoke about the potential legislation:

This is [Pramaggiore]. We are -- I think what we are seeing right now is that there is a bit of an opening of a door. The legislature has a temporary budget in place and Chicago Public School funding is behind them and so I think we see an opportunity in the veto session. We also think there is a lot of work to be done to get there. We have pulled together a coalition to come in with an agreed bill as much as possible and we are in the process of putting that together now. But we do think there is the potential that this would be entertained in the veto session.

At the time of her statement, Pramaggiore was aware of, participating in, and at times directing, a scheme where ComEd was engaging in an effort to corruptly influence and reward a government official to secure favorable legislation. Pramaggiore's statement that ComEd was pulling together a "coalition to come in with an agreed bill" was misleading because it omitted the fact that part of ComEd's lobbying activities included its efforts to corruptly influence and reward Madigan with respect to the FEJA legislation.

20. A month later, on November 30, 2016, ComEd issued a press release regarding an agreement reached to pass FEJA. The press release, which was posted on Exelon's public website, quotes Pramaggiore as stating the following:

We have worked with many stakeholders including consumer advocates, environmentalists, community leaders, among others, to ensure this bill has the best outcome for customers, our economy and our environment and the communities we serve. We appreciate the strong bipartisan support of members of the General Assembly, the four caucus' professional staff, the labor unions, members of the Clean Jobs Coalition and other stakeholders who have helped us shape this comprehensive energy package that will bring tremendous value to our state and our customers.

21. The statement that ComEd's legislative success was due to legitimate efforts such as working with stakeholders and earning support from members of the General Assembly was misleading because it omitted that ComEd was engaging in an effort to corruptly influence and reward a government official to secure favorable legislation. At the time of these statements, Pramaggiore was aware of and was participating in ComEd's payments to certain Madigan associates, including payments to certain Madigan associates who did little to no work for ComEd, and payments to Law Firm. Around the time of these misleading statements, Exelon granted 446,000 shares to employees through its long-term incentive plans and sold 318,000 shares to employees at a discounted price through its employee stock purchase plan.

### **Legal Standard and Violations**

22. Under Securities Act Section 8A and Exchange Act Section 21C(a), the Commission may impose a cease-and-desist order upon any person who is violating, has violated, or is about to violate any provision of the Securities Act and Exchange Act or any regulation thereunder, and upon any person that is, was, or would be a cause of the violation, due to an act or omission the person knew or should have known would contribute to such violation.

23. As a result of the conduct described above, Respondents violated Section 17(a)(2) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5(b) thereunder, which prohibit fraudulent conduct in the offer or sale of securities and in connection with the purchase or sale of securities.

24. As a result of the conduct described above, Respondents violated Section 13(b)(2)(A) of the Exchange Act, which requires issuers with a class of securities registered pursuant to Section 12 of the Exchange Act and issuers with reporting obligations pursuant to Section 15(d) of the Exchange Act to make and keep books, records, and accounts, which in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets.

25. As a result of the conduct described above, Respondents violated Section 13(b)(2)(B) by failing to devise and maintain a system of internal accounting controls that was sufficient to provide reasonable assurances that assets are used, and transactions are executed, only in accordance with management's general or specific authorization, including in a manner consistent with Respondents' policies.

### **Deferred Prosecution Agreement**

26. On July 17, 2020, Respondent ComEd entered into a DPA with the USAO. *USA v. Commonwealth Edison Company*, No. 1:20-cr-00368 (N.D. Ill.). ComEd acknowledged in the DPA, among other things, that it was responsible for the actions of its current and former officers, employees, and agents as charged in the Information filed in connection with the DPA and as set forth in the Statement of Facts to the DPA. The DPA had a term of three years and required ComEd to meet certain obligations, as set forth in the DPA. ComEd fulfilled all the obligations of the DPA, and the three-year term ended on July 17, 2023. On July 17, 2023, the USAO moved to

dismiss the Information and the charge against ComEd. The Court granted the USAO's motion and issued an order dismissing the charge and terminating the criminal case against ComEd.

### **Cooperation and Remediation**

27. In determining to accept the Offers, the Commission considered remedial acts promptly undertaken by Respondents and cooperation afforded the Commission staff. This included significant remedial measures to enhance their compliance program.

### **Undertaking**

28. Respondent Exelon has undertaken to assist the Commission staff in the administration of a distribution plan, including any and all efforts to distribute to affected investors the monetary relief described in paragraph IV below. In connection with such assistance, Respondent Exelon will produce, without service or notice of subpoena, any and all documents and other information reasonably requested by the Commission staff.

29. In determining whether to accept the Offers, the Commission has considered this undertaking.

## **IV.**

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondents' Offers.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 8A of the Securities Act, Respondents cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act.

B. Pursuant to Section 21C of the Exchange Act, Respondents cease and desist from committing or causing any violations and any future violations of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder and Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act.

C. Respondent Exelon shall, within 14 days of the entry of this Order, pay a civil money penalty in the amount of \$46,200,000.00 to the Securities and Exchange Commission. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;



- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Accounts Receivable Branch  
HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Exelon Corporation as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Brian D. Fagel, Division of Enforcement, Securities and Exchange Commission, 175 West Jackson Blvd, Suite 1450, Chicago, Illinois 60604.

D. Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, a Fair Fund is created for the penalty referenced in paragraphs IV.C. above. The Fair Fund may be added to or combined with any other fair fund created in a related district court action or administrative proceeding arising out of the same violations. The Fair Fund will be distributed to harmed investors in accordance with a Commission-approved plan of distribution. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent Exelon agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent Exelon's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent Exelon agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil

penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a “Related Investor Action” means a private damages action brought against Respondent Exelon by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Vanessa A. Countryman  
Secretary